

**APPENDIX I**

**ANNUAL REPORT CORPORATE GOVERNANCE**

**LISTED PUBLIC LIMITED COMPANIES**

**DETAILS OF ISSUING COMPANY**

**FISCAL YEAR 2008**

**C.I.F.: N006781116I**

Corporate name:

**JAZZTEL P.L.C.**

Registered Address:

**20-22 BEDFORD ROW  
LONDON WC1R4JS  
UNITED KINGDOM**

**ANNUAL REPORT CORPORATE GOVERNANCE OF PUBLIC LIMITED  
COMPANIES LISTED ON THE SPANISH STOCK EXCHANGES**

**A SHAREHOLDING STRUCTURE**

**A.1. Complete the table below on the Company's share capital:**

Last modification date	Share capital (€)	Number of shares	Number of voting rights
20-06-2008	119,387,138.00	1,496,714,221	1,491,714,221

Indicate whether there are different classes of shares with different rights attached:

**Yes**

Class	Number of shares	Unitary par value	Unitary number of voting rights	Different rights
Ordinary	1,491,714,221	0.08	1,491,714,221	SHARES WITH VOTE
Non-voting	5,000,000	0.01	0	NO VOTING AND IN STERLING POUNDS

**A.2. List the direct and indirect holders of significant shareholdings in the Company at the end of the financial year, excluding Board members:**

Shareholder's name or trade name	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
PREPSA TRADERS, S.A.	156,610,198	152,777,777	20,740

Indicate the most significant movements in the Company's shareholding structure during the financial year:

**A.3. Complete the tables below on the members of the Company's Board of Directors who own voting rights over shares in the Company:**

Board member's name or trade name	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
MR. LEOPOLDO FERNÁNDEZ PUJALS	0	309,387,975	20.740
JOSE ORTIZ MARTINEZ	175,750	143,000	0,021
JAVIER IBAÑEZ DE LA CRUZ	96,000	0	0.006

JOAQUIM MOLINS I AMAT	238,847	0	0.016
JOSE LUIS DIEZ GARCIA	30,554	0	0.002
PEDRO ANGEL NAVARRO MARTINEZ	196,875	0	0.013
JOSE MIGUEL GARCIA FERNANDEZ	248,696	0	0.017
LUIS CHAVES MUÑOZ	2,000,000	0	0.134

Shareholder's name or trade name	Through: Name or trade name of the direct owner	Number of direct voting rights	% over total voting rights
MR. LEOPOLDO FERNANDEZ PUJALS	PREPSA TRADERS, S.A.	309.387.975	21,392
MR. JOSE ORTIZ MARTINEZ	MARIA LUISA RUBIO MAYO	143.000	0,010

<b>Total % of share capital held by members of the Board of Directors</b>	20,950
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Complete the tables below on the members of the Company's Board of Directors who hold options on the Company's shares:

Board member's name or trade name	Number of direct share options	Number of indirect share options	Number of equivalent shares	% over total voting rights
JAVIER IBANEZ DE LA CRUZ	750,000	0	750,000	0.050
JOAQUIM MOLINS I AMAT	750,000	0	750,000	0.050
JOSE LUIS DIEZ GARCIA	750,000	0	750,000	0.050
JOSE LUIS NAVARRO MARQUES	750,000	0	750,000	0.050
JOSE MIGUEL GARCIA FERNANDEZ	2,050,000	0	2,050,000	0.137
DON LUIS CHAVES MUNOZ	750,000	0	750,000	0.050
PEDRO ANGEL NAVARRO MARTINEZ	750,000	0	750,000	0.050
JOSE ORTIZ MARTINEZ	1,750,000	0	1,750,000	0.117

**A.4. Should they exist, indicate any family, trading, contractual and corporate relationships among the holders of significant shareholdings in so far as they are known by the company, except when these are not very relevant or derived from normal trading activities:**

**A.5. Should they exist, indicate trading, contractual and corporate relationships between the holders of significant shareholdings and the company, except when these are not very relevant or derived from normal trading activities:**

**A.6. Indicate whether para-social agreements have been reported to the company, affecting it pursuant to the provisions in art. 112 of the Spanish Securities Exchange Act. As the case may be, provide a short description and list the shareholders bound by the agreement:**

**No**

Indicate any existing concerted actions among the company's shareholders that the company is aware of: If so, explain them briefly.

No

Express mention should be made of any changes in or breaches of the above-mentioned agreements or concerted actions that have occurred during the financial year.

A.7. Indicate if any individual or legal entity exercises or may exercise a controlling interest in the company pursuant to Article 4 of the Stock Market Act (Ley del Mercado de Valores). If so, identify it.

Yes

Name or trade name
PREPSA TRADERS, S.A.

Observations
PREPSA TRADERS, S.A. IS THE INVESTMENT VEHICLE OF LEOPOLDO FERNANDEZ PUJALS, CHAIRMAN OF THE COMPANY.

A.8. Complete the following tables on the company's treasury stock:

At the end of the financial year:

Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
0	0	0,000

(\*) Through:

Total:	0
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List any significant changes that occurred during the financial year pursuant to the provisions of Royal Decree 1362/2007 (*Real Decreto 377/1991*):

Gains/ (Loss) of treasury stock during the year	0
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A.9. List the conditions and time limit of any authorisation granted to the board of directors to carry out acquisitions or transmissions of the treasury stock.

The Board of Directors has not been authorised to carry out acquisitions or transmissions of the treasury stock.

**A.10. Should they exist, indicate any legal constraints or limitations set forth in the articles of association concerning voting rights, along with any legal limits to the acquisition or transmission of shareholdings in the company's share capital. Indicate whether there are legal restrictions regarding the exercise of voting rights:**

**No**

<b>Maximum percentage of voting rights that may be exercised by a shareholder owing to legal restrictions</b>	<b>0</b>
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Indicate whether there are statutory restrictions regarding the exercise of voting rights

**Yes**

<b>Maximum percentage of voting rights that may be exercised by a shareholder owing to statutory restrictions</b>	<b>0,000</b>
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<b>Description of legal and statutory restrictions regarding the exercise of voting rights</b>
<p>Article 62 of the Bylaws establishes:</p> <p>62.1 No member shall, unless the Directors otherwise determine, be entitled in respect of any share held by him to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.</p> <p>62.2 If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under Section 212 of the Act and is in default for a period of 14 days in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) in respect of:</p> <p>(a) the shares comprising the shareholding account in the Register which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the "default shares", which expression shall include any further shares which are issued in respect of such shares); and</p> <p>(b) any other shares held by the member; the member shall not (for so long as the default continues) nor shall any transferee to whom any of such shares are transferred (other than pursuant to an approved transfer or pursuant to paragraph 62.3(b) below) be entitled to attend or vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings.</p>

Indicate whether there are legal restrictions applying to the acquisition or transfer of holdings in the share capital:

**Yes**

<b>Description of the legal restrictions applying to the acquisition or transfer of holdings in the share capital</b>
<p>Article 36 of the Bylaws establishes:</p> <p>36.1 The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share and is lodged (duly stamped if required) at the Transfer Office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). In the case of a transfer of shares in certificated form by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange the lodgment of share certificates will only be necessary if and to the extent that certificates have been issued in respect of the shares in question.</p> <p>36.2 The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefor refuse to register any transfer of shares (not being</p>

fully paid shares) provided that, where any such shares are normally traded on any stock exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

36.3 The Directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly, to a minor, or to an entity which is not a natural or legal person.

The Board of Directors has been authorised to issue shares to an amount up to euro 80,636,283.68 of nominal value, in accordance with section 80 and section 89 of the Companies Act 1985, which was agreed by ordinary resolution passed at an ordinary general meeting of shareholders held on 26 April 2007.

**A.11. Indicate whether the General Meeting has resolved to adopt neutralising measures against a takeover bid by virtue of the provisions in Act 6/2007**

**No**

**Should it be the case, explain the measures that have been passed and the terms under which the restrictions would be inefficient.**

**B STRUCTURE OF THE COMPANY'S CORPORATE GOVERNANCE**

**B.1 Board of Directors**

**B.1.1. Indicate the maximum and minimum number of Board members foreseen by the articles of association:**

<b>Maximum number of Board members</b>	12
<b>Minimum number of Board members</b>	5

**B.1.2. Complete the following table with details on the Board Members:**

<b>Board member's name or trade name</b>	<b>Represented by</b>	<b>Post in the Board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Appointment procedure</b>
MR. LEOPOLDO FERNANDEZ PUJALS		CHAIRMAN	18/10/2004	26/04/2007	APPOINTED IN AGM
JOSE ORTIZ MARTINEZ		SECRETARY AND MEMBER	18/10/2004	30/03/2006	APPOINTED IN AGM
JAVIER IBAÑEZ DE LA CRUZ		MEMBER	18/10/2004	25/04/2008	APPOINTED IN AGM
JOAQUIM MOLINS I AMAT		MEMBER	25/04/2001	30/03/2006	APPOINTED IN AGM
JOSE LUIS NAVARRO MARQUES		MEMBER	13/12/2004	26/04/2007	APPOINTED IN AGM
JOSE LUIS DIEZ GARCIA		MEMBER	22/07/2005	25/04/2008	APPOINTED IN AGM
PEDRO ANGEL		MEMBER	22/07/2005	25/04/2008	APPOINTED IN

NAVARRO MARTINEZ					AGM
JOSE MIGUEL GARCIA FERNANDEZ		MEMBER	02/11/2006	02/11/2006	APPOINTED IN AGM
LUIS CHAVES MUÑOZ		MEMBER	06/11/2007	06/11/2007	APPOINTED IN AGM

<b>Total Number of Board Members</b>	9
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Indicate the number of Board members who have left office during the period.

**B.1.3. Complete the following tables on the Board members and their differing characteristics:**

### **EXECUTIVE BOARD MEMBERS**

Board member's name or trade name	Committee that put forward appointment	Post in the Company's organisation chart
Mr. JOSE MIGUEL GARCIA FERNANDEZ	--	EXECUTIVE BOARD MEMBER

<b>Total Number of Executive Board Members</b>	1
<b>Total % of Board</b>	11,111

### **EXTERNAL BOARD MEMBERS REPRESENTING SHAREHOLDINGS**

Director's name or trade name	Committee that put forward appointment	Name or trade name of the significant shareholder represented by the director or which proposed his/her appointment
MR. LEOPOLDO FERNANDEZ PUJALS	THE APPOINTMENT AND REMUNERATION COMMITTEE	PREPSA TRADERS, S.A.
MR. JOSE ORTIZ MARTINEZ	THE APPOINTMENT AND REMUNERATION COMMITTEE	PREPSA TRADERS, S.A.
MR. JAVIER IBAÑEZ DE LA CRUZ	THE APPOINTMENT AND REMUNERATION COMMITTEE	PREPSA TRADERS, S.A.

<b>Total Number of Shareholder Representative Board Members</b>	3
<b>Total % of Board</b>	33,333

### **INDEPENDENT EXTERNAL BOARD MEMBERS**

Directors's name or trade name  
MR. JOAQUIM MOLINS AMAT

Background

FORMER PRESIDENT OF CCS

Directors's name or trade name

MR. JOSE LUIS DIEZ GARCIA

Background

FORMER PRESIDENT OF ERNST & YOUNG SPAIN

Directors's name or trade name

MR. JOSE LUIS NAVARRO MARQUES

Background

FORMER CEO OF PROCTER GAMBLE SPAIN AND PORTUGAL

Directors's name or trade name

MR. LUIS CHAVES MUÑOZ

Background

REAL STATE DEVELOPER

Directors's name or trade name

MR. PEDRO ANGEL NAVARRO MARTINEZ

Background

FORMER PRESIDENT OF ACCENTURE SPAIN

Total Number of Independent Board Members	5
Total % of Board	55,556

**OTHER EXTERNAL BOARD MEMBERS**

**Specify the reasons why they cannot be considered directors representing significant shareholdings or independent directors and their relations, whether with the company and its executives or with its shareholders**

**Indicate any changes that may have happened in the types of Board members during the period:**

**B.1.4 ( [ ~~SOLO~~, should it be the case, the reasons why nominee directors have been appointed at the behest of shareholders whose holdings are below 5% of the share capital**

**Indicate whether formal requests for a seat on the Board by shareholders have been unheeded, where their holding is equal to or higher than that of other shareholders who requested and obtained a nominee director on the Board Should it be the case, explain the reasons why the request was unheeded**

**No**

**B.1.5 Indicate whether any directors have resigned from their post before the end of their term, if they have explained the reasons to the Board and via what means and, in the event they have given an explanation in writing to the Board, explain below at least the reasons given by the director**

**No**

**B.1.6. Indicate, should they exist, powers delegated to the managing director(s).**

**Board member's name or trade name**

MR. JOSE MIGUEL GARCIA FERNANDEZ

**Brief Description**

HE HAS ALL THE EXECUTIVE FACULTIES OF THE BOARD OF DIRECTORS

**B.1.7. Board members that have taken on posts of directors or executives in other companies forming part of the listed Company's group:**

Board member's name or trade name	Trade name of group Company	Position
MR. JOSE MIGUEL GARCIA FERNANDEZ	JAZZ TELECOM, S.A.U.	SOLE ADMINISTRATOR

**B.1.8. Should it be the case, list any Board members the company has been informed about who are also Board members of other listed company's quoted in official Spanish stock exchanges not belonging to the company's group:**

Board member's name or trade name	Trade name of listed company	Position
JOAQUIM MOLINS I AMAT	CEMENTOS MOLINS, S.A.	BOARD MEMBER

**B.1.9 Indicate and should it be the case explain whether the company has established rules on the number of Boards of which its directors may be members**

**Yes**

Explanation of the rules
A Director may not be a director of a competing company. Any posts held in Group Companies or on behalf of same are acceptable. A Director cannot provide agency or consultancy services to companies competing with the Company or with companies in its Group, unless he/she reports same and is authorised to do so by the Board, following a report by the Appointment and Remuneration Committee

**B.1.10 In relation to recommendation number 8 of the Unified Code, state the Company's general policies and strategies that the**

**Board with all of its members present has reserved the right to pass**

The investment and financing policy	YES
The definition of the structure of the group of companies	YES
The corporate governance policy	YES
The strategy or business plan, as well as the management objectives in the annual budget	YES
The senior executive remuneration and performance evaluation policy	YES
The risk control and risk management policy, as well as the monitoring of the internal reporting and control systems from time to time	YES
The dividend policy, as well as the treasury stock policy, and especially the limits thereof	YES

**B.1.11. Complete the following tables on the Board members' combined remuneration due during the financial year.**

**a) In the Company the object this report:**

Remuneration item	Figures in thousand euros
Fixed remuneration	0
Variable remuneration	0
Per diem allowances	0
Corporate fees	336
Share options and/or other financial instruments	0
Others	0
<b>TOTAL:</b>	<b>336</b>

Other Benefits	Figures in thousand euros
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Undertakings	0
Life insurance premiums	0
Security provided by the Company in favour of Board members	0

**b) Due to Board members belonging to the Board of Directors and/or senior management of other group companies:**

Remuneration item	Figures in thousand euros
Fixed remuneration	351
Variable remuneration	157
Per diem allowances	0
Corporate fees	0
Share options and/or other financial instruments	0

Others	16
<b>TOTAL:</b>	<b>524</b>

<b>Other Benefits</b>	<b>Figures in thousand euros</b>
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Undertakings	0
Life insurance premiums	0
Security provided by the Company in favour of Board members	0

**c) Total remuneration by type of Board member:**

<b>Type of Board Member</b>	<b>Company</b>	<b>Group</b>
Executive Board members	42	298
External Board members representing shareholders	84	226
Independent external Board members	210	0
Other external Board members	0	0
<b>Total</b>	<b>336</b>	<b>524</b>

**d) Concerning the profit attributed to controlling Company:**

<b>Total remuneration of Board members (in thousands of euros)</b>	860
<b>Total remuneration of Board members/benefits attributed to controlling Company (expressed in %)</b>	0.0

**B.1.12. List the members of senior management who are not Board members. Also indicate total remuneration due to them during the financial year.**

<b>Name</b>	<b>Position</b>
MR. LUIS DEL POZO RIVAS	Marketing Division Director
MR. LUIS SUÑER FERNÁNDEZ-CELA	Wholesale Director
MR. PABLO LÓPEZ YEPES	Residential Sales Director
MR. RAMON QUINTERO MARTIN	Chief Financial Officer
MR. VICENTE CASCIARO	Chief Technology Officer
MR. ENRIQUE CHARRO TEMES	Enterprise Division Director
MR. CHRISTIAN MARCO GOMEZ	Enterprise Sales Director

<b>Total remuneration of senior management (in thousands of euros)</b>	947
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**B.1.13. List in general terms if safeguard or guarantee clauses exist for senior management -including executive Board members- in the event of dismissal or changes in controlling interest in the**

company or group. Indicate whether the company or group's corporate governance bodies have to be informed of such contracts and/or whether they have to be approved by said bodies.

Number of beneficiaries	2
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	Board of Directors	AGM
Body that authorises clauses	YES	NO

Is the AGM informed about the clauses?	NO
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**B.1.14. Indicate the procedure used to set Board members' remuneration packages and the clauses of the articles of association that are relevant in this respect.**

<b>Procedure used to set Board members' remuneration packages and the clauses of the articles of association that are relevant in this respect.</b>
<p>The Appointment and Remuneration Committee of the Company prepares a proposal in this respect to be submitted to the Board of Directors for their approval. The members of the Committee are either independent Board members or in any event non-executive Board members.</p> <p>In the event of a conflict of interest, the relevant Board member shall abstain from voting and shall even leave the meeting temporarily if the proposal concerning his particular remuneration is discussed. This is reflected as such in the minutes of the meeting concerned.</p> <p>The following is a literal transcription of the relevant section of the Articles of Association of the Company:</p> <p>Directors' fees</p> <p>73. The ordinary remuneration of the Directors shall from time to time be determined by the Directors except that such remuneration shall not exceed £500,000 per annum in aggregate or such higher amount as may from time to time be determined by Ordinary Resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Other remuneration of Directors</p> <p>74. Any Director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.</p> <p>Directors' expenses</p> <p>75. The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or shareholders' meetings or otherwise in connection with the business of the Company.</p> <p>Directors' pensions and other benefits</p> <p>76. The Directors shall have power to pay and agree to pay gratuities, pensions or other retirement-, superannuation-, death- or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.</p>

**State whether the Board with all of its members present has reserved the right to pass the following decisions**

	YES	NO
Following a proposal by the Company CEO, the appointment and removal of senior executives, as well as	X	

their severance clauses		
The remuneration of the directors and, in the case of the executives, the additional remuneration for their executive functions and other conditions that are to be respected in their contracts	X	

**B.1.15 Indicate whether the Board of Directors passes a detailed remuneration policy and specify the matters on which it decides**

Yes X

No

	YES	NO
Amount of the fixed items, with a breakdown, should it be the case, of the per diem allowance for attending Board and Committee meetings and an estimate of the resulting annual fixed remuneration	X	
Variable remuneration items	X	
Main characteristics of the welfare systems with an estimate of the equivalent annual amount or cost	X	
Conditions which are to be met by the contracts of those performing senior executive functions as executive directors, among which are to be included...	X	

**B.1.16 Indicate whether the Board submits to the vote of the General Meeting, as a separate item on the agenda, and for consultation purposes, a report on the director remuneration policy. Should it be the case, explain the aspects of the report relating to the remuneration policy passed by the Board for forthcoming years, the most significant changes in those policies in relation to that applied during the year and an overall summary of how the remuneration policy was applied in the year. Specify the role of the Remuneration Committee and, if external consultancy has been used, the identity of the external consultants**

Yes X

No

<b>Matters discussed in the report on the remuneration policy</b>
<p>The Company counts with an Appointment and Remuneration Committee. The members of this Committee are: Mr. Pedro Angel Navarro, as President, Mr. Javier Ibañez de la Cruz, and Mr. Jose Luis Navarro Marqués. Any of the Committee members has either personal financial interests (other than their interest as shareholders), nor conflict of interest which could arise from their Board Member condition or from daily works in the development of the business. The Committee recommends to the Board of Directors. The Board Members do not participate in the considerations over their own remunerations.</p> <p>The Appointment and Remuneration Committee uses public reports furnished by Human Resources specialised companies such as Hay Group, Watson Wyatt, and Mercer HR, and selection specialised companies. The policy of the Company is to determine on a case bases if there is a necessity of hiring specialised external services. In 2008 there was not any third</p>

specific research to determine the remuneration of the Board Members.

The retribution packages of the Executive Board Members are decided to attract, motivate, and maintain the position of the Executive Board Members. The Group needs these Senior Executives to consolidate its position as leader in the market and with this target it offers a remuneration to contribute increasing the shares value of the company.

The Appointment and Remuneration Committee evaluates the capacity of the Board Members and other key Executive Members of the Company, as well as, to determine the yearly retribution package of those. The remuneration of the Non Executive Members is determined by the Board of Directors, following what is established in the Articles of Incorporation of the Company.

There are three principal elements in the retribution package of the Executives members and Senior Executives of the Company:

1. Annual Fixed Remuneration (including professional fees of the Board Members) and other benefits.
2. Annual Variable Remuneration or bonus which could not exceed 50% of the fixed remuneration.
3. Shares Options Scheme.

The policy of the Company is that a considerable part of the remuneration of the Board Members will be determine depending on their performance. The Executive Members are able to receive an annual variable remuneration up to 50% of their fixed salary and the benefits obtain in the share options scheme.

For the year 2008, in accordance with the decision of the Board of Directors on 7 February 2007, the variable remuneration policy for the executive directors is linked to the results of the Company in terms of revenues and profitability, agreed to the Business Plan 2008-2010 presented to the market in the Madrid Stock Exchange on 16 April 2008.

On the 26 April 2007, the General Shareholders' Meeting approved the Special Remuneration Plan (Long Term Incentive Plan) in favour of the Chief Executive Officer ("CEO") (Mr José Miguel García Fernández) and selected key management personnel and staff proposed by the CEO and approved by the Appointment and Remuneration Committee. This plan involves issuing a number of shares for the beneficiaries of the plan depending on the value increase of the company from 1 July 2006 until 1 July 2010.

The objective of the Long Term Incentive Plan is to provide a bonus to the CEO and selected key management personnel and staff that will play a key role in the future growth of the company, making them participants in the value increase of the company over the next four years. The maximum amount that will be issued in 2010 will be up to 1% of the value increase of the company.

The remuneration policy for 2008 applied to those executive directors who served during 2008 as executive directors, i.e. Joaquim Molins and José Miguel García Fernández with a labour contract, and José Ortiz Martínez with a service agreement.

The share option plans currently in place are not performance related.

	YES	NO
<b>Have external consultants been used"</b>		<b>X</b>
<b>Identity of the external consultants</b>		

**B.1.17. Should it be relevant, list any Board members who are also Board members or senior executives of companies holding a significant shareholding in the listed company and/or in companies belonging to its group:**

Board member's name or trade name	Trade name of significant shareholder	Position
LEOPOLDO FERNANDEZ PUJALS	PREPSA TRADERS, S.A.	CHAIRMAN

**Should they exist, list any significant relationships, other than the ones foreseen in the section above, linking Board members to significant shareholders of the company and/or group companies.**

Board member's name or trade name: JOSE ORTIZ MARTINEZ  
 Name or trade name of significant shareholder: PREPSA TRADERS, S.A.  
 Description of relationship: SHAREHOLDER REPRESENTATIVE MEMBER

Board member's name or trade name: JAVIER IBAÑEZ DE LA CRUZ  
 Name or trade name of significant shareholder: PREPSA TRADERS, S.A.  
 Description of relationship: SHAREHOLDER REPRESENTATIVE MEMBER

**B.1.18 Indicate whether there have been any modifications of the Board regulations during the year**

Yes  No

Description of modifications

**B.1.19. Indicate the procedures used to appoint, re-appoint, evaluate and dismiss Board members. List the competent bodies, the steps to be followed and the criteria used in each of these procedures.**

-Nomination of Board member for election  
 No person other than a Board member retiring at the meeting shall, unless recommended by the Board members for election, be eligible for election as a Board member at any General Meeting unless not less than seven nor more than 42 days (inclusive of the date on which the notice is given) before the date appointed for the meeting there shall have been lodged at the registered Office of the Company notice in writing signed by some member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.  
 Election or appointment of additional Board member  
 The Shareholders' Meeting may by ordinary resolution elect, and without prejudice thereto the Board members shall have power at any

time to appoint, any person to be a Board member either to fill a casual vacancy or as an additional Board member, but so that the total number of Board members shall not thereby exceed the maximum number (if any) fixed by or in accordance with the Articles of Association. Any person so appointed by the Board members shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Board members who are to retire by rotation at such meeting.

- Qualifications

A Board member shall not be required to hold any shares of the Company by way of qualification. A Board member who is not a member of the Company shall nevertheless be entitled to attend and speak at Shareholders' Meetings.

- Appointment of executive Board Members

The Board members may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

The appointment of any Board member to the office of Chairman or Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or Vice President - Operations shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

The appointment of any Board member to any other executive office shall not automatically determine if he ceases from any cause to be a Board member, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

- Evaluation prior to appointment

Proposals for the appointment of Board members that the Board of Directors submits for the consideration of the General Meeting, and the appointment decisions that the Board adopts by virtue of the powers attributed to it in article 85 of the Company's Articles of Association, must be preceded by the appropriate proposal report from the Appointment and Remuneration Committee.

When the Board rejects the recommendations made by the Appointment and Remuneration Committee, it must state the reasons for its rejection and record its reasons in the Minutes of the meeting. Within the scope of their powers, the Board of Directors and the Appointment and Remuneration Committee shall seek to ensure that the election of candidates is made from among persons of acknowledged soundness, competence and experience, and they must exercise the utmost rigour in relation to those candidates elected to fill the posts of independent Board member.

The Board of Directors may not propose or appoint anyone for filling a post of independent Board member if that person holds an executive position in the Company or is linked for family or any other reasons with any Board member or other senior manager or executive officer of the Company, or is connected to, a significant shareholder in the Company.

In the exercise of its powers to make proposals to the General Meeting and to appoint additional Directors for the purpose of filling vacancies or otherwise, the Board of Directors shall seek to ensure that the composition of the Board is such that non-executive Directors form a majority. For this purpose, the Managing Director, as appropriate, and those within the Company, shall be regarded as executive Directors.

In the exercise of the above-referred powers the Board shall likewise seek to ensure that the majority group of non-executive Board members shall include both the holders or representatives of holders of major stable stakes in the capital of the Company (shareholder representative members) and persons of acknowledged standing who do not have any pre-existing ties with the Company, the directors, the management team or with major shareholders and can be considered independent (independent Board members).

-Retirement by rotation

At each Annual General Meeting:

any Board member who was elected or last re-elected a Board member at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation; and such further Board members (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Board members in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

-Selection of Board members to retire by rotation

The Board members to retire by rotation shall include (so far as necessary to obtain the number required) any Board member who wishes to retire and not to offer himself for re-election. Any further Board member so to retire shall be those of the other Board members subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected Board members on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Board member shall be eligible for re-election.

-Re-election of retiring Board member

At the meeting at which a Board member retires the office being vacated will be filled by electing thereto the retiring Board member or some other person eligible for election. In default the retiring Board member shall be deemed to have been re-elected except in any of the following cases:

(a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Board member is put to the meeting and lost;

(b) where such Board member has given notice in writing to the Company that he is unwilling to be re-elected; or

(c) where the default is due to the moving of a resolution in contravention of the next following provision.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Board member or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Board member who is re-elected or deemed to have been re-elected will continue in office without a break.

-Election of two or more Board members

A resolution for the election of two or more persons as Board members by a single resolution shall not be moved at any General Meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it; and any resolution moved in contravention of this provision shall be void.

- Removal of Board member

The Shareholders' Meeting may in by ordinary resolution of which special notice has been given remove any Board member from office (notwithstanding any provision of the Articles of Association or of any agreement between the Company and such Board member, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a Board member so removed from office and any person so elected shall be treated for the purpose of determining the time at which he or any other Board member is to retire by rotation as if he had become a Board member on the day on which the Board member in whose place he is elected was last elected a Board member. In default of such election the vacancy arising upon the removal of a Board member from office may be filled as a casual vacancy.

- Resignation of Board members:

The office of a Board member shall be vacated in any of the following events, namely:

a) if he shall become prohibited by law from acting as a Board member;

b) if he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Board members shall resolve to accept such offer;

c) if he shall have a bankruptcy order made against him or shall compound with his creditors generally or shall apply to the court for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

d) if in England or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs;

e) if he shall be absent from meetings of the Board members for six months without leave and the Board members shall resolve that his office be vacated; or

f) if, by notice in writing delivered to the Office or tendered at a meeting of the Board members, his resignation is requested by a majority of the directors.

**B.1.20. State the circumstances in which directors are obliged to stand down.**

The Board members must comply with their obligations, particularly those referring to the obligations concerning confidentiality (article 27), non-competition (article 28), information on the purchase of Company shares (article 29), conflicts of interest (article 30), use of corporate assets (article 31) and business opportunities (article 32), as provided in the Internal Regulations of the Board of Directors and in general with the principles of skill and care (article 26).

Non-compliance with any of these obligations would require a member of the Board to resign. The Board members as a matter of

good practice agree to ensure that the obligations referred to above shall apply to themselves directly as Board members as well as to persons related to them or to companies whose assets are controlled by them or in which they hold a managerial post.

**B.1.21 Explain if the position of the Company's senior executive coincides with the post of Chairman of the Board. If so, indicate the measures taken to limit the accumulation of responsibilities in a single person.**

Yes

No

Measures for limiting risks

**Indicate and should it be the case explain whether rules have been established authorising one of the independent directors to call a Board meeting or to include new items on the Agenda, to coordinate and take note of the concerns of the external directors and to direct the evaluation by the Board of Directors**

Yes

No

Explanation of the rules
The independent director must communicate with the Secretary of the Board, sufficiently in advance of the next meeting of the Board of Directors, in order to request the inclusion of items on the Agenda. Also, all of the Board meetings have a final item on the Agenda caled "Motions and queries," where any of the directors may propose issues to be discussed by the Directors

**B.1.22. Are reinforced majorities other than the statutory majorities required for any kind of decision?:**

Yes

No

**Indicate how resolutions are approved by the Board of Directors, indicating the minimum quorum required and the kinds of majorities needed to adopt them.**

**Description of resolution:**

The Board members may meet together for the despatch of business, adjourn and otherwise regulate their proceedings as they think fit. At any time any Board member may, and the Secretary at the request of a Board member shall, summon a meeting of the Board members on 3 days' notice. The Board of Directors shall ordinarily seek to meet every month. Notice of a Board meetingshall be deemed to be properly given, if given to a Board member personally or sent in writing to him at his last main address given by him to the Company for this purpose. Any Board member may waive notice of any meeting and any such waiver may be retroactive.

The Board shall draw up an annual timetable of ordinary meetings. The Board should spend at least one meeting a year on assessing its functioning and the quality of its work.

<b>Quorum</b>	<b>%</b>
The Board shall draw up an annual timetable of ordinary meetings . The Board should spend at least one meeting a year on assessing its functioning and the quality of its work. A meeting of the Board shall be quorate when it is attended by at least half of its members, whether present or by the appointment of an alternate.	50%

<b>Kinds of Majority</b>	
At Meetings each Board member shall have one vote. Questions arising at any meeting of the Board members shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.	50%

**B.1.23. Explain whether there any specific requirements to be appointed as chairman other than those applicable to directors?**

Yes                       No

**B.1.24. Indicate whether the chairman has a casting vote:**

Yes                       No

<b>Issues needing a casting vote</b>
In the case of an equality of votes, the chairman of the meeting shall have a casting Vote.

**B.1.25. Indicate whether the Articles of Association or the Board regulations provide for any age limits for Board members:**

Yes                       No

<b>Age Limit for Chairman</b>	<b>Age Limit for CEO</b>	<b>Age Limit for Member</b>
0	0	0

**B.1.26. Indicate whether the Articles of Association or Board regulations provide for a time limit for independent Board members' term of office:**

Yes                       No

<b>Maximum number of years for term of office</b>	0
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**B.1.27 If there are very few or no female directors at all, explain the reasons and the initiatives taken to correct the situation**

<b>Explanation of the reasons and initiatives</b>
At present there are no female directors in the Company. Following a proposal by the Chairman of the Appointments and Remuneration Committee, the Board of Directors entrusted this Committee to seek one or several women with the appropriate profile sought by the Company in order to join the Board of Directors

**In particular, indicate whether the Appointments and Remuneration Committee has established procedures so that the selection processes are not affected by implicit biases hindering the selection of female directors, and so that it may deliberately seek candidates meeting the required profile**

Yes

No

<b>State the main procedures</b>
The search for possible Directors of the Company is grounded on the fact that the selection of candidates is to aim for people of renowned creditworthiness, capacity, experience and prestige, with no gender-based restrictions

**B.1.28. Indicate if any formal vote delegation procedures exist for the Board of Directors. If so, explain them briefly.**

Yes, a formal vote delegation procedures exist. Section 106 of the Articles of Association provides as follows:

Alternate Directors

1. Any Director may at any time by writing under his hand and deposited at the Office, or delivered at a meeting of the Directors, appoint any person (including another Director) to be his alternate Director, having only such voting rights as the Director being substituted, and may in like manner at any time terminate such appointment. Such appointment, unless previously approved by the Directors or unless the appointee is another Director, shall have effect only upon and subject to being so approved.
2. The appointment of an alternate Director shall determine on the happening of any event which if he were a Director would cause him to vacate such office or if his appointor ceases to be a Director, otherwise than by retirement at a General Meeting at which he is re-elected.
3. An alternate Director shall be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director of the class the substitute belongs to, at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all functions of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he (instead of his appointor) were a Director of that

class. If he shall be himself a Director or shall attend any such meeting as an alternate for more than one Director, his voting rights shall be cumulative but he shall not be counted more than once for the purposes of the quorum. If his appointor is for the time being temporarily unable to act through ill health or disability his signature to any resolution in writing of the Directors shall be as effective as the signature of his appointor. To such extent as the Directors may from time to time determine in relation to any committees of the Directors the foregoing provisions of this paragraph shall also apply *mutatis mutandis* to any meeting of any such committee of which his appointor is a member. An alternate Director shall not (save as aforesaid) have power to act as a Director, nor shall he be deemed to be a Director for the purposes of these Articles, nor shall he be deemed to be the agent of his appointor.

4. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

**B.1.29. Indicate the number of Board of Directors' meetings held during the financial year. Likewise, indicate the number of times the Board has held meetings with the chairman's absence.**

Number of Board meetings	9
Number of Board meetings held without the Chairman's presence	0

**Indicate the number of meetings held by the Board's various committees during the financial year.**

Number of meetings held by the Executive or Delegate Committee	0
Number of meetings held by the Audit Committee	6
Number of meetings held by the Appointment and Remuneration Committee	4
Number of meetings of the Committee	0
Number of meetings of the Committee	0

**B.1.30. Indicate the number of Board of Directors' meetings held during the financial year, without the attendance of all of the members Attendance by proxy without specifying voting instructions will be deemed to be non-attendance**

Number of non-attendances by directors during the year	0
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<b>RI non-attendance over total votes during the year</b>	<b>0</b>
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**B.1.31. Indicate whether the Company's individual and consolidated accounts submitted for the Board's approval had been previously certified:**

Yes  No

**Identify, should it be the case, the person(s) certifying the Company's individual and consolidated annual accounts, prior to the preparation [of the Notes to the Accounts] by the Board**

<b>Name</b>	<b>Position</b>

**B.1.32. Explain if any mechanisms have been established by the Board of Directors to avoid the individual and consolidated accounts containing audit report qualifications from being submitted to the Annual General Meeting.**

Individual and consolidated annual accounts have been elaborated by the financial department of the Company, which is also responsible for attending the auditors' needs to comply with their work.

The final proposal of the annual accounts has been supervised and reviewed by the Audit Committee, and after their approval, the accounts have been presented to the Board of Directors for its approval.

The Audit Committee has a direct relationship with the Auditor of the Company and considers that this body is the ideal and natural way to prevent that the individual and consolidated annual accounts are submitted to the Shareholders' Meeting with qualifications in the auditors' report.

**B.1.33. Does the secretary to the Board also hold a directorship?**

Yes  No

**B.1.34 Explain the procedures for the appointment and removal of the Secretary of the Board, indicating whether the appointment and removal have been reported by the Appointments and Remuneration Committee and passed by the Board with all of its members present**

<b>Appointment and removal procedure</b>
The Secretary shall be appointed by the Board with the conditions and for the period that the Board deems appropriate. A Secretary thus appointed may be removed from office by the Board at any time, notwithstanding the damages for the breach of the service agreement entered into by that Secretary and the Company. If it is deemed appropriate, two or more Joint Secretaries may be appointed. The Board may also appoint at any time, under the conditions it deems appropriate, one or more Deputy Secretaries and/or Assistant Secretaries. Dismissal: The Shareholders' Meeting may in by ordinary resolution of which

special notice has been given remove any Board member from office (notwithstanding any provision of the Articles of Association or of any agreement between the Company and such Board member, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a Board member so removed from office and any person so elected shall be treated for the purpose of determining the time at which he or any other Board member is to retire by rotation as if he had become a Board member on the day on which the Board member in whose place he is elected was last elected a Board member. In default of such election the vacancy arising upon the removal of a Board member from office may be filled as a casual vacancy.

	YES	NO
Does the Appointments Committee report on the appointment"	X	
Does the Appointments Committee report on the removal"	X	
Does the Board with all of its members present pass the appointment"	X	
Does the Board with all of its members present pass the removal"	X	

**Is the Secretary of the Board entrusted with the function of especially seeing to the fulfilment of the recommendations relating to governance"**

Yes X

No

Observations
The Secretary shall assist the Chairman with his tasks and must see to the proper performance of the Board, especially taking care of providing Directors with the necessary advice and information, of keeping the company documentation, of properly setting down the development of the meetings in the minutes books and to certifying the resolutions of the Board The Secretary shall see to the formal and material lawfulness of the performance of the Board and shall ensure that its procedures and rules of governance are respected.

**B.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.**

A proposal for the appointment of the independent auditors of the Company is made by the financial director of the Company to the Chairman of the Audit Committee, who is an independent Board member, and who will, in turn, present the proposal to the Audit Committee. Upon the approval by the Audit Committee, a proposal will be made to the Board of Directors. Thereupon the proposal for the appointment or reappointment of the auditors will be made to the shareholders at the Annual General Shareholders Meeting.

As for the election of financial analysts, merchant banks and rating agencies, the internal department of the Company will make a proposal to the CEO or Chairman of the Company, as applicable, for final approval by the Board of Directors.

**B.1.36 Indicate whether the company has changed its external auditor during the year. Should it be the case, identify the new and former auditors.**

Yes

No X

Former auditor	New auditor

If there were any disagreements with the former auditor, explain the contents of same

Yes

No

Explanation of disagreements

**B.1.37. Indicate whether the auditing firm performs any other work for the company and/or its group other than auditing work. If so, declare the amount of fees it has received for such work and its percentage with regard to the total amount invoiced to the company and/or its group.**

Yes

No

	Company	Group	Total
Amount of non-auditing work (thousands of euros)	0	0	0
Amount of non-auditing work / Total amount invoiced by auditing firm (%)	0	0	0

**B.1.38 Indicate whether the Audit Report on the Annual Accounts for the previous year has any qualifications or reservations. Should it be the case, indicate the reasons given by the Chairman of the Audit Committee to explain the contents and scope of said qualifications or reservations**

Yes

No

Explanation of the reasons

**B.1.39. Indicate the number of years the current auditing firm has uninterruptedly audited the Company's and/or its group's annual accounts. Similarly, indicate the percentage represented by the number of years the current firm has audited the accounts with regard to the total number of years the Company's accounts have been audited.**

	Company	Group
Number of uninterrupted years	7	7

	Company	Group
Number of years accounts audited by current firm / Number of years Company has been audited (%)	63.6	63.6

**B.1.40. Indicate the shareholdings held by Board members in the share capital of companies that have the same, analogous or complementary corporate purpose as the Company and/or its group about which the Company has been informed. Likewise, indicate the positions they hold and the functions they perform in these companies:**

Board member's name or trade name	Trade name of the company in question	% shareholding	Position or function

**B.1.41. Indicate whether a procedure exists to enable Board members to have access to external advice. If so, provide details of the procedure:**

Yes

No

Details of the procedure
<p>So that they can be assisted in the performance of their duties, non-executive Directors can request that legal advisers, accountants and financial or other experts be taken on at the Company's expense.</p> <p>Such recruitment must necessarily concern specific problems of a certain import and complexity that have arisen during the course of the Director exercising his post.</p> <p>The request to take on independent advisers has to be brought before the Board of the Company, who can reject the request if, in its opinion: a) it is not necessary for the proper fulfilment of the functions entrusted to the non-executive Directors; b) its cost is unreasonable in view of the importance of the problem and the Company's assets and income; or c) the technical assistance that is sought can be adequately obtained from experts and technicians within the Company.</p>

**B.1.42. Indicate whether a procedure exists to enable Board members to have access to the information they need to prepare for meetings of the Company's corporate governing bodies in due time. If so, provide details:**

Yes

No

Details of the procedure
<p>Directors shall freely request information from those senior managers of the Company coming immediately under the Managing Director as appropriate. Directors shall likewise request, via the Chairman, the Vice-Chairman, the Managing Director or the Secretary to the Board, any information that they might consider appropriate concerning the Company. The right of information extends to companies in the Group, whether they are Spanish or foreign. The Chairman, Vice-Chairman, Managing Director or Secretary to the Board of Directors shall attend to requests made by Directors, either furnishing them with the information directly or informing them of the appropriate person to turn to within the Group.</p>

**B.1.43 Indicate and, should it be the case, specify whether the Company has established rules obliging Directors to report and, should it be the case, resign in cases that may harm the Company's name and reputation**

Yes

No

<b>Explain the rules</b>

**B.1.44 Report whether any of the members of the Board of Directors has reported to the Company that he has been tried or that legal proceedings have been lodged against him, for any of the offences stated in article 124 of the Public Limited Companies Act**

Yes

No

Name of Board member	Criminal proceedings	Observations

**Indicate whether the Board of Directors has analysed the case. If the answer is yes, give a reasoned explanation of the decision taken regarding whether the director involved should remain in office**

Yes

No

Decision taken	Explanation with reasons
Should/Should not remain in office	

## **B.2. Committees of the Board of Directors**

**B.2.1. List all the Board of Director's committees and their members:**

### **THE AUDIT COMMITTEE**

Name	Position	TYPE
JOSE LUIS DIEZ GARCIA	CHAIRMAN	INDEPENDENT BOARD MEMBER
JOAQUIM MOLINS I AMAT	MEMBER	INDEPENDENT BOARD MEMBER
JOSE ORTIZ MARTINEZ	MEMBER	EXTERNAL BOARD MEMBER REPRESENTING SHAREHOLDERS

### **APPOINTMENT AND REMUNERATIONS COMMITTEE**

Name	Position	TYPE
PEDRO ANGEL NAVARRO MARTINEZ	CHAIRMAN	INDEPENDENT BOARD MEMBER
JAVIER IBAÑEZ DE LA CRUZ	MEMBER	EXTERNAL BOARD MEMBER REPRESENTING

		SHAREHOLDERS
JOSE LUIS NAVARRO MARQUES	MEMBER	INDEPENDENT BOARD MEMBER

**B.2.2 State whether the following are functions of the Audit Committee**

	YES	NO
Supervising the process of preparing and the integrity of the financial reporting relating to the Company and, should it be the case, to the Group, reviewing compliance with regulations, the adequate delimitation of the consolidated group and the application of accounting standards	X	
Revising from time to time the internal control and risk management systems, so that the main risks are adequately identified, managed and disclosed	X	
Seeing to the independence and efficiency of the internal audit function; proposing the selection, appointment, re-election and removal of the person in charge of internal audits; proposing the budget for this service; receive information from time to time on its activities; and checking that top management takes into consideration the conclusions and recommendations of its reports	X	
Establishing a mechanism allowing employees to communicate, in a confidential manner, and anonymously if it is considered appropriate, any potentially substantial irregularities, especially those of a financial and accounting nature, that they might detect within the Company	X	
Submitting to the Board proposals on the selection, appointment, re-election and replacement of the external auditor, as well as the conditions for hiring same	X	
Regularly receiving from the external auditor information on the audit plan and the results of the execution thereof, and verifying that senior management take its recommendations into consideration	X	
Guaranteeing the independence of the external auditor	X	
In the case of groups, encouraging that the Group auditor takes charge of the audits of the companies making up the Group	X	

**B.2.3. Give a brief description on the rules governing the organization and workings as well as the responsibilities attributed to each of the Board's committees:**

**Committee denomination:**

APPOINTMENT AND REMUNERATIONS COMMITTEE

**Committee description:**

Pursuant to the Internal Regulations of the Board of Directors, the Board of Directors shall appoint the following advisory committees made up exclusively of Board members:

- an Audit Committee; and
- an Appointment and Remuneration Committee.

These two committees shall have powers of information, advice and proposal in the matters determined by the following articles. The power of the committees to make proposals does not exclude the power of the Board to decide on these matters on its own initiative once it has obtained a report from the appropriate Committee.

Also in accordance with Article 98 of the Articles of Association and the article 12 of the Internal Regulations of the Board of Directors, the Board of Directors has constituted a Delegate Committee of the Board of Directors with full powers and autonomous to adopt the Agreements in relation with the administration and the management of the Company until November 2, 2006.

The organisational rules, functioning and responsibilities assigned to each of the Board's committees are as follows, such in accordance with the literal text of the Internal Regulations of the Board of Directors:

#### Appointment and Remuneration Committee.

1. The Appointment and Remuneration Committee shall be composed of 3 Directors, at least 2 of whom must be non-executive Directors.
2. Notwithstanding the other tasks assigned to it by the Board, the Appointment and Remuneration Committee shall have the following basic responsibilities:
  - a. to formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates;
  - b. to report on the proposals for the appointment of Directors so that the Board can proceed directly to their appointment, when appropriate, or otherwise for the Board to take on its proposals and pass them on for the decision of the General Meeting;
  - c. to report on the appointment of Secretary and Vice-Secretary to the Board of Directors;
  - d. to propose the members who are to form part of each Committee of the Board;
  - e. to report on the system and annual remuneration of Directors and Secretaries;
  - f. to report on the appointment or dismissal of executive officers coming immediately under the Managing Director;
  - g. to report on the remuneration system for executive officers;
  - h. to report on the appointment of persons who are going to represent the Company on the Boards of Directors of the most important wholly or partly owned companies that the Board decides;
  - i. to report on any transactions that entails or might entail conflicts of interest, major transactions with major shareholders and, in general, on the matters considered in CHAPTER VIII herein.
3. Requests for information to the Appointment and Remuneration Committee shall be formulated by the Board of Directors or its Chairman. Likewise, the Committee must consider any suggestions

put to it by the Chairman, members of the Board, Company's executive officers or shareholders.

4. The Appointment and Remuneration Committee shall meet whenever it is convened by its Chairman, who must do so whenever the Board or the Chairman of the Board so requests, and in all cases whenever it is advisable for the satisfactory undertaking of its functions.

**Committee denomination:**

AUDIT COMMITTEE

**Committee description:**

Pursuant to the Internal Regulations of the Board of Directors, the Board of Directors shall appoint the following advisory committees made up exclusively of Board members:

- an Audit Committee; and
- an Appointment and Remuneration Committee.

These two committees shall have powers of information, advice and proposal in the matters determined by the following articles. The power of the committees to make proposals does not exclude the power of the Board to decide on these matters on its own initiative once it has obtained a report from the appropriate Committee.

Also in accordance with Article 98 of the Articles of Association and the article 12 of the Internal Regulations of the Board of Directors, the Board of Directors has constituted a Delegate Committee of the Board of Directors with full powers and autonomous to adopt the Agreements in relation with the administration and the management of the Company until November 2, 2006.

The organisational rules, functioning and responsibilities assigned to each of the Board's committees are as follows, such in accordance with the literal text of the Internal Regulations of the Board of Directors:

**Audit Committee**

1. For so long as the ordinary and non-voting shares of the Company remain listed on the Spanish stock exchanges of Madrid, Barcelona, Valencia and Bilbao and on the Spanish Automated Quotation System, and the applicable Spanish rules so require, the Board of Directors shall create and maintain an Audit Committee of the Board of Directors formed by not less 3 nor more than 5 Directors, of whom a majority must be non-executive Directors.

For the purposes of this Article, a Director will be deemed to be an executive Director if he holds a managerial position in the Company or in any subsidiary belonging to its group either under an employment relationship, a professional engagement or otherwise. The chairman of

the Audit Committee shall be appointed among the non-executive Directors belonging to the Committee shall be appointed among the non-executive Directors belonging to the Committee for a term not to exceed four years. The chairman of the Audit Committee may not offer himself for re-election until at least one year has elapsed since the expiry of his former office as chairman of the Audit Committee.

Without prejudice to any additional duties which may be entrusted to it by the Board of Directors, the Audit Committee shall perform at least the following duties:

- a. Informing the General Shareholders' Meeting about any matters that the shareholders may broach regarding matters within its competence;
- b. issue proposals to the Board of Directors in respect of the auditors to be proposed for appointment by the Company in general meeting;
- c. oversight and supervision of the internal audit department (if any) of the Company;
- d. review of internal financial reporting and control systems and procedures; and
- e. communication with statutory auditors in respect of the audit of the Company's annual accounts or any circumstances which could jeopardise the independence of the auditors, as well as in relation to notices required to be served upon or received by the Company and its auditors in accordance with the applicable legislation on auditing.

The Audit Committee shall meet no less than two times a year and whenever it is summoned by any of its members on three days notice.

2. Any member of the management team or any employee of the Company shall, if so required, be obliged to attend meetings of the Committee, and he shall collaborate with it and provide access to the information that he has available. The Committee may also require the accounts auditors to attend its meetings.

3. For the better fulfilment of its functions, the Audit Committee shall be able to seek the advice of independent professionals, for which purpose the provisions provided in Article 24 herein shall apply.

**B.2.4. Indicate, should they exist, their powers to advice and consult, as well as any powers delegated to each of the committees:**

Name of Committee	Brief description
the Appointment and Remuneration Committee	The right to advice and propose to inform the Board of Directors
the Audit Committee; and	The right to advice and propose to inform the Board of Directors

**B.2.5. Indicate if any Board committee regulations exist, where they may be consulted and any changes made to them during the financial year. Likewise, indicate if annual reports on the activities of each committee have been drawn up voluntarily:**

The regulations in respect of the Appointment and Remuneration Committee as well as in respect of the Audit Committee have been incorporated in the Internal Regulations of the Board of Directors as approved by the Board of Directors in its meeting of February 5, 2003. As such date the Internal Regulations were amended and special regulations regarding the Audit Committee were introduced to comply with 18th Additional Disposition of Law 24/1988 of July 28 of Stock Markets, as introduced by Law 44/2002 of November 22.

The Internal Regulations have been deposited with the National Stock Markets Commission (Comisión Nacional del Mercado de Valores (CNMV)) and are available at the Company's website.

No annual report has been prepared on the activities of each Committee

B.2.6. Indicate whether the composition of the executive committee reflects the share-out of directors in the Board by their type.

Yes

No

<b>In case of negative answer, explain the composition of the Executive Committee</b>
At this moment the Company has a CEO who assumes the functions of the Executive Committee.

## **C RELATED PARTY TRANSACTIONS**

**C.1. State whether the Board with all of its members present has reserved the right to approve, following a favourable report by the Audit Committee or any other party entrusted with that function, transactions between the Company and its Directors, significant shareholders or members of the Board, or with persons related to them.**

Yes

No

**C.2 List any relevant transactions that have led to a transfer of resources or bonds between the company or group companies and significant shareholders of the company:**

Name or trade name of significant shareholder	Name or trade name of company or group company	Nature of relationship	Type of transaction	Amount (Thousand Euros)

**C.3. List any relevant transactions that have led to a transfer of resources or bonds between the company or group companies and the company's administrators or executives:**

Name or trade name	Name or trade name of	Nature of	Type of	Amount

of significant shareholder	company or group company	relationship	transaction	(Thousand Euros)

- C.4. List any relevant transactions performed by the company with other companies belonging to the same group, as long as these are not subsumed when the consolidated financial statements are put together and do not form part of the company's normal business activities with regard to its corporate purpose and conditions.**

Trade name of group company	Description of transaction	Amount (Thousand Euros)
JAZZ TELECOM, S.A.U.	PARTICIPATING LOAN AGREEMENTS AND UNPAID ACCRUED INTEREST	753.358
JAZZ TELECOM, S.A.U.	SECURITIES PURCHASE AGREEMENT	8.298

- C.5. Indicate whether the members of Board have come across any situations of conflicting interests throughout the year, pursuant to the provisions in article 127ter of the Public Limited Companies Act.**

Yes

No

Board member's name or trade name	Description of situation of conflicts of interest

**List any mechanisms set up to detect, identify and resolve possible conflicts of interest between the Company and/or its group and its Board members, executives and significant shareholders.**

Directors must avoid any actual or potential conflicting situations regarding their duties towards the Company and their personal interests. For this purpose, Directors shall generally report to the company, sufficiently in advance, any situations that might entail a conflict of interest with the Company or the companies in its Group and, generally, they shall make it a point to refrain from attending and taking part in the discussions involving matters in which they may have a personal interest.

Moreover, the Articles of Association of the Company provide the following:

Directors' Interests

95 Directors may have interests

Subject to the provisions of the Statutes, and provided that he has disclosed to the Directors the nature and extent of any interest of his, a Director notwithstanding his office:

(a) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) may be a director or other officer of, or employed by, or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

(c) may (or any firm of which he is a partner, employee or member may) act in a professional capacity for the Company (other than as Auditor) and be remunerated therefor; and shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate or for such remuneration and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

#### 96 Restrictions on voting

1. Save as herein provided, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote.

2. Subject to the provisions of the Statutes, a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(a) the giving of any security, guarantee or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(c) any proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him within the meaning of Section 346 of the Act) does not have an interest (as that term is used in Sections 198 to 211 of the Act) in one per cent or more of the issued equity share capital of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(d) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and

(e) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

3. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under paragraph 96.2(c) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

4. If a question arises at any time as to the materiality of a Director's interest or as to his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fairly disclosed.

97 Directors' Interests: General.

For the purposes of the two preceding Articles:

(a) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any contract, transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such contract, transaction or arrangement of the nature and extent so specified;

(b) any interest of a person who is connected (within the meaning of Section 346 of the Act) with a Director shall be treated as an interest of the Director; and

(c) an interest (whether of his or of such a connected person) of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

**C.7 Are more than one of the companies in the Group listed in Spain?**

Yes

No

**Identify the affiliated companies that are listed in Spain**

Listed affiliated Companies

**Indicate whether there has been a precise public disclosure of the respective areas of activity and possible business relations between them, as well as between the listed affiliated company and the rest of the Group companies:**

Yes

No

Define the possible business relations between the parent company and the listed affiliated company, and between the latter and the rest of the Group companies

Identify the mechanisms established in order to resolve possible conflicts of interest between the listed affiliated company and the rest of the Group companies:

Mechanisms for solving possible conflicts of interest

**D RISK CONTROL SYSTEMS**

**D.1. Provide an overall description of the Company's or its group's risk control policy, listing and assessing the risks covered by the system, along with a justification of the suitability of said systems for each kind of risk.**

The Company has a permanent control system in place to minimize risks to which its business is subject and which control takes place with the means, systems and procedures that allow it to identify, evaluate and control the risks to which it is exposed so that, in case any event may occur, it is able to prevent or reduce its consequences.

**D.2. Indicate whether during the year there have been any occurrences of the different types of risk (operational, technological, financial, legal, reputation-related, fiscal...) affecting the Company and/or the Group:**

Risk occurring during the year	Circumstances causing same	Functioning of the control systems

**D.3 Indicate whether any committee or other governing body exists charged with setting up and overseeing these control systems:**

Yes

No

**If the answer is 'Yes', specify its functions:**

Name of the Committee or Body	Description of functions
AUDIT COMMITTEE	a) Risks relating to Network Infrastructure: The Company analyses the different factors that may prevent the telecommunications services rendered through the Company's own network of being fully operational, minimizing those events that may affect not only the rendering of the services but also its quality, and permitting the restoration of the maximum level of service in the shortest period of time possible. For this purpose, the Company monitors the network on real time basis and has established procedures to solve any problem that may arise in the most satisfactory and fastest way. Additionally, the Company has back up systems in

	<p>place necessary to assure the continuity of the services.</p> <p>b) Risks relating to Information Systems: The Company carries out an analysis of the risks relating to the technological systems that support the business of the Company to assure compliance with the regulations on Personal Data Protection (Protección de Datos de Carácter Personal) and the security levels in connection therewith in relation to clients, employees and providers. In addition, the systems area of the Company has implemented various procedures in order to assure the restoration of the information systems in the event of a temporary failure or total break-down. Following the Auditor's recommendations, due to the removal of the principal offices of the Company, Jazztel is going to replicate the systems to make the information available in different places and machines.</p> <p>c) Risks relating to Human Resources: The Company carries out an analysis of the different factors that may affect the performance of the main asset of the Company: its employees. In addition, the Company has put into place a plan of prevention of labour risks in order to minimize any risks and to provide for an adequate response in case of any event that may affect health of the employees of the Company.</p>
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**D.4. Identify and describe the processes used to ensure the various regulations affecting the Company and/or its group are duly complied with.**

**Jazztel complies with the applicable regulations for the telecommunications sector, and with all the general and particular rules applicable, including rules of securities market.**

**E GENERAL MEETING**

**E.1. Indicate whether there are any differences in respect of the minimum attendance requirements for there to be a quorum at the General Meeting as established in the Spanish Public Limited Companies Act (LSA) and, should it be the case, specify what those differences are.**

Yes

No

	Quorum percentage differences in respect of what is established in art. 102 of LSA for general cases	Quorum percentage differences in respect of what is established in art. 103 of LSA for the special cases in art. 103
Quorum required at first call	50%	
Quorum required at		

second call		
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Description of the differences
<p>Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.</p> <p>If within five minutes from the time appointed for a Shareholder Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting, if convened on the requisition of shareholders, shall be dissolved. In any other case it shall stand adjourned to such day, time and place as may have been specified for the purpose in the notice convening the meeting or (if not so specified) as the chairman of the meeting may determine.</p>

**E.2. Indicate and, as the case may be, specify whether there are differences in respect of the system established in the Public Limited Companies Act (LSA) for passing corporate resolutions:**

Yes

No

**Describe any differences it may have from the procedure set forth in the Spanish Public Limited Companies Act.**

	Reinforced majority other than the one established in art. 103 of LSA for the cases in art. 103.1	Other cases of reinforced majority
Percentage established by the company for passing resolutions		

**E.3. List any shareholders' rights concerning Shareholders Meetings that may be different from the ones set forth in the Spanish Public Limited Companies Act.**

Right to receive information prior to the General Meeting:

Any member may request from the Directors, in writing and in no event later than the seven days prior to the date set for the General Meeting, the reports, declarations and clarifications he deems relevant in relation to the agenda.

The Directors will be obliged to furnish the requested information, unless the Chairman considers that: (i) disclosing the information requested by a percentage of members representing less than 25% of the share capital is detrimental for the interests of the Company; (ii) the requested information is unrelated to the items on the agenda; (iii) the requested information is not necessary to form an opinion in respect of the items on the agenda or it may be deemed offensive for any reason; or (iv) the information is already available by other means. The Directors may authorise the Secretary or the Deputy Secretary to respond, on behalf of the Directors, in the event of any requests for information by the partners.

Requests for information shall be given in writing, unless, owing to the nature of the information requested, it is not feasible or there is not enough

time before the date when the General Meeting is scheduled to take place. In such cases, those requests shall be answered during the assembly pursuant to the provisions in these Regulations. Any replies to members prior to the date of the assembly shall also be at the disposal of all of the members attending the assembly via the publication of same on the Company website, providing that there is time to do so.

#### Right of attendance

The right of attending General Meetings pertains to members owning registered ordinary shares at the closing time on the date established by the Company, and that date cannot be more than 48 hours before the date of the assembly.

Partners owning holdings in the Company of shares kept in Euroclear or Clearstream must use the voting and attendance procedures of Euroclear or Clearstream. This shall include holders of shares via trading arrangements or agreements in the market where the Company shares are listed, the “*Nuevo Mercado Español*” [New Spanish Market], whose procedures must be followed by the members (including the requirements established for Iberclear). The latter differ in respect of the procedures applied to the registered members of the Company.

The Directors may attend the General Meeting. The Chairman of the General Meeting may authorise the attendance of any other person he deems appropriate. However, said authorisation may be revoked by means of an ordinary resolution passed by the members at the corresponding General Meeting.

#### Right of participation of the members

Once the General Meeting begins, the members wishing to address the assembly or to request information or clarifications in relation to the items on the agenda shall identify themselves before the Chairman of the assembly, for which purpose they shall state their name and surname(s), as well as the number of shares they hold or represent. The Chairman may ask those wishing to speak to hand over the text of their intervention. Members may request that the text of their intervention be included in the minutes to the meeting. Once the members wishing to address the assembly are identified, and after delivering their text to the Chairman in the event he so requests and prior to voting the resolutions presented in the notice of meeting, the Chairman shall establish the order in which the interventions by the members shall be listened to.

#### Right of information at the General Meeting

During the time allocated to the interventions by the members, they may request the information or clarifications they deem appropriate in relation to the items on the agenda, for which purpose they shall identify themselves, pursuant to the provisions in part 14 of the Shareholder Meeting regulations. The Company shall be asked to furnish the requested information, subject to the exceptions provided in part 11 of the Shareholder Meeting regulations or to the possibility that said information might not be available at that moment. The requested information shall be furnished by the Chairman or, at the request of the Chairman, by the Secretary or Deputy Secretary, by another Director or by any Company Employee who is an expert in the field.

#### **E.4. Indicate if any measures have been adopted to promote shareholder participation in Shareholders Meetings.**

The Company has available for its shareholders a special Investors Relations department where shareholders can obtain any kind of information concerning AGMs, within the framework of applicable law.

Moreover, the Company has a website available for its shareholders completely adapted to the requirements of Law 26/2003 of July 17 and Royal Decree 1564/1989 of December 22 as well the further regulations thereof pursuant to Circular 1/2004 of March 17, of the CNMV.

The Company has its General Meetings in London (UK), because that is where its corporate address is located and it is thus regulated in the Shareholder Meeting Internal Regulations. In 2008 the Company broadcast the development of the Meeting in real time via its website. During the Jazztel General Shareholders Meeting of 2008 the Spanish Shareholders could exercise as well their voting rights electronically via the Jazztel website.

In Jazztel's General Shareholders Meeting of 2008, the Clause 4.2 of the Regulations for the Conduct of the Shareholders Meetings was modified in order to allow the General Shareholders Meeting to be held also in Spain.

**E.5. Indicate whether the position of Chairman of the Shareholders' Meeting coincides with the post of Chairman of the Board. If so, list any measures adopted to ensure the independence and smooth functioning of the general shareholders meetings.**

Yes

No

<b>List of measures</b>
<p>The Chairman of the Board of Directors, failing whom a Deputy Chairman, shall preside as chairman at a Shareholders Meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither is present within five minutes after the time appointed for holding the meeting and willing to act, the Board members present shall choose one of their number or, if no Board member is present or, if all the Board members present decline to take the chair, the members present and entitled to vote shall choose one of their number to be chairman of the meeting.</p> <p>The Company feels that the independence and smooth functioning of the Shareholders Meetings is sufficiently safeguarded by way of the detailed procedures contained in the Internal Regulations of the Shareholders Meeting, which will be submitted to the shareholders for their approval at the Annual General Shareholders Meeting of the Company.</p>

**E.6. Should it be the case, indicate any changes made to the general shareholders' meeting regulations during the financial year.**

Modification of Clause 4.2 of the Regulations for the Conduct of the Shareholders Meetings to read as follows: "The General Meeting may be held in any city of Spain or in the same town or city where the Company has its registered address, and at the premises determined for that purpose by the Directors, details of which will be set out in the notice."

**E.7. Indicate the participation data of any general shareholders' meetings held during the course of the financial year this report makes reference to.**

Date of General Shareholders' Meeting	Participation Data				Total
	% Physically present	% Represented	% Postal votes		
			Electronic vote	Others	
25/04/2008	0	13.378	0	0	13.378%

**E.8. Briefly indicate any resolutions adopted at Shareholders Meetings held during the financial year this report refers to and the percentage number of votes each resolution was adopted with.**

Nº	Resolution	In favour	Against	Abstention	Result
1	To receive the Company's Annual Accounts and the reports of the Directors and Auditors, included in the Annual Report, for the year ended 31 December 2007, as well as the Company's consolidated group accounts.	186,336,038	6,367,612	797,836	Approved: 96.30%
2	To elect Mr. Luis Chaves Muñoz as an independent non-executive Director of the Company.	187,318,481	4,954,606	1,228,399	Approved: 96.80 %
3	To re-elect Mr. Pedro Ángel Navarro Martínez, who retires by rotation, as an independent non-executive Director of the Company.	185,725,334	6,008,557	1,767,595	Approved: 95.98%
4	To re-elect Mr. José Luis Díez García, who retires by rotation, as an independent non-executive Director of the Company.	185,444,583	6,289,308	1,767,595	Approved: 95.84%
5	To re-elect Mr. Javier Ibañez de la Cruz, who retires by rotation, as a non-executive Director of the Company.	185,444,583	6,304,308	1,752,595	Approved: 95.84%
6	To approve the Remuneration Report included in the Annual Report.	184,569,926	7,540,067	1,391,493	Approved: 95.38%
7	To approve the Stock Options Plan 2008-2012.	184,126,951	9,231,928	142,607	Approved: 95.16%
8	To re-appoint Deloitte & Touche LLP as Auditors	185,869,869	5,966,548	1,665,069	Approved: 99.06%

	of the Company to hold office from the conclusion of the meeting until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the remuneration of the Auditors.				
9	Modification of Clause 4.2 of the Regulations for the Conduct of the Shareholders Meetings to read as follows: "The General Meeting may be held in any city of Spain or in the same town or city where the Company has its registered address, and at the premises determined for that purpose by the Directors, details of which will be set out in the notice."	193,310,905	181,131	9,450	Approved: 99.90%

**E.9. Indicate the number of shares needed to take part in a General Meeting, along with any restrictions in this regard set forth in the Articles of Association:**

Yes

No

<b>Number of shares needed to take part in a General Meeting</b>	1
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**E.10. Indicate and justify and policies adopted by the Company concerning the delegation of votes at Shareholders Meetings:**

The Company's shares are currently held in two ways, as follows:

a) Indirect

In order for shareholders to be able to trade shares in the Company on Spain's Nuevo Mercado, it is necessary for the shares to be held indirectly through BT Globenet Nominees Ltd. as common depository for Euroclear and Clearstream (the "Common Depository"). Most shares are currently held in this way.

b) Direct

Some shares are currently held directly in the name of the holder or other nominated entity. However, these shares are not eligible for trading on the Spanish stock exchanges unless and until they have been registered in book-entry form in Iberclear in accordance with applicable procedures. Any shareholder desiring the benefit of a tradable security should hold his or her shares through the Common Depository system. This will need to be done following special share deposit procedures.

Shareholders who hold their shares directly will have to vote their shares either by attending the meeting in person or by sending a special proxy form, duly completed, to the Company prior to any meeting at the time and place as specified in the notice.

Shareholders interested in shares in the Company held through a participant in Euroclear or Clearstream should follow the procedures of Euroclear or Clearstream for voting and attendance. This will include those holding shares through the settlement and trading arrangements for the markets on which the Company's ordinary shares are listed, being Spain's "Nuevo Mercado", whose procedures (including, in the case of Spain's "Nuevo Mercado", the requirements of Iberclear) will also need to be adhered to. These will be different from the procedures applying to registered shareholders of the Company.

**E.12. Indicate whether the company is aware of the institutional investors' policy on whether or not to take part in the company's decisions.**

Yes

No

Description of the policy

**E.13 Indicate the website and how to access corporate governance contents on the Company's website.**

The company's website is [www.jazztel.com](http://www.jazztel.com)

At this website there is a special direct access "for investors", and with one click interested parties have direct access to all corporate governance contents of the Company's website.

**DEGREE OF COMPLIANCE WITH THE RECOMMENDATIONS ON CORPORATE GOVERNANCE**

Indicate the Company's degree of compliance in respect of the recommendations of the Unified Code of Governance.

In the event one or more of them are not met, explain the recommendations, rules, practices or criteria that the Company applies.

**1. The Bylaws of listed companies are not to limit the maximum number of votes that may be cast by the same shareholder, and they are not to contain other restrictions to hinder taking control of the Company by acquiring its shares on the market.**

See headings: A.9, B.1.22, B.1.23 and E.1, E.2.

**Complies X** Explain

**2. When a parent company and an affiliated company are listed, they must both publicly define in a clear manner:**

- a) The respective business areas and possible business relationships between them, as well as the relationships of the listed affiliate with the rest of the group companies;**
- b) The mechanisms established to solve the possible conflicts of interest that might arise.**

See headings: C.4 and C.7

Complies  Complies partially  Explain  **Does not apply X**

**3. Although not expressly demanded by mercantile laws, operations entailing a structural modification of the Company are to be submitted to the General Meeting of Shareholders, particularly the following operations:**

- a) The transformation of listed companies into holding companies, by means of “affiliation” or the transfer of essential activities thus far conducted by the Company itself to affiliates, even if the holding company maintains full ownership of those activities;**
- b) The acquisition or disposal of essential operating assets, when it entails an effective modification of the corporate purpose;**
- c) Operations with an effect equivalent to that of liquidating the Company.**

**Complies X** Complies partially  Explain

**4. The detailed proposals of resolutions to be passed at the General Meeting, including the information mentioned in recommendation 28, are to be disclosed at the time of publishing the advertisement of the notice of Meeting.**

**Complies X** Explain

**5. At the General Meeting any matters that are substantially independent are to be voted separately, so that the shareholders may express their voting preferences separately. This rule is particularly to apply:**

- a) To the appointment or ratification of directors—this is to be voted individually;**
- b) In the amendment of Bylaws, to each article or group of articles that is substantially independent.**

See heading: E.8

**Complies X** Complies partially  Explain

**6. Companies are to be allowed votes to be itemised so that any brokers who are authorised to act as shareholders, but who are acting on behalf of different clients, may cast their votes according to their clients' instructions.**

See heading: E.4

**Complies X**      Explain

**7. The Board is to perform its functions with unity of purpose and independent criteria, it is to treat all of the shareholders equally and it is to seek the interests of the Company, in the sense of maximising, in a sustained manner, the economic value of the Company.**

**It must also ensure that, in its relationships with stakeholders, the Company obeys the law and regulations, fulfils *bona fide* its obligations and agreements, respects the usage and good practice of the sectors and territories in which it conducts its business, and observes any additional principles of corporate responsibility that it has voluntarily accepted.**

**Complies X**    Complies partially     Explain

**8. The Board must accept, as the core of its mission, to approve the Company's strategy and the organisation required to implement same, as well as supervising and controlling that Management complies with the objectives that have been set and respects the corporate purpose and interests. And, for such purpose, the Board must keep to itself the authority to approve:**

**a) The Company's general policies and strategies, in particular:**

**i) The strategy or business plan, as well as the management objectives and annual budget;**

**ii) The investment and financing policy;**

**iii) The definition of the structure of the group of companies;**

**iv) The corporate governance policy;**

**v) The corporate social responsibility policy;**

**vi) The remuneration and senior executive performance evaluation policy;**

**vii) The risk management and control policy, as well as monitoring from time to time the internal reporting and control systems;**

**viii) The dividend policy, as well as the treasury stock policy and especially the limits thereof.**

See headings: B.1.10, B.1.13, B.1.14 and D.3

**b) The following decisions:**

**i) Following a proposal by the CEO of the Company, the appointment and possible removal of senior executives, as well as their severance clauses.**

See heading: B.1.14.

**ii) The remuneration of the directors and, in the case of the executives, the additional remuneration for their executive functions and other conditions that their contracts must respect.**

See heading: B.1.14.

iii) The financial information that the Company must publish from time to time as a listed company.

iv) The investments or operations of any nature which, owing to their large amount or special characteristics, are of a strategic nature, unless they are to be approved by the General Meeting;

v) The creation or acquisition of shares in special purpose entities or domiciled in countries or territories considered tax havens, as well as any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

c) The operations that the Company carries out with directors, significant shareholders, or persons represented on the Board, or with persons related to them ("related operations").

However, authorisation by the Board shall not be deemed necessary in any related operations that simultaneously meet the following three conditions:

1. They are carried out by virtue of contracts with standard conditions that are generally applied to many customers;

2. They are carried out at prices or rates that are established generally by the party acting as the supplier of the goods or service involved;

3. The amount does not exceed 1% of the annual income of the Company.

It is recommended that the Board approves of related operations following a favourable report by the Audit Committee or, should it be the case, by any other committee entrusted with that function; and the directors involved, besides not exercising or delegating their voting rights, are to leave the meeting room while the Board deliberates and votes on the operations.

It is recommended that the powers attributed herein to the Board be non-delegable by nature, except those indicated under b) and c), which may be adopted in situations of urgency by the Standing Committee, subsequently to be ratified by the Board with all of its members present.

See headings: C.1 and C.6

**Complies X** Complies partially  Explain

**9. The Board is to have the necessary size to achieve an efficient and participative operation, which makes it advisable that it should not have less than five or more than fifteen members.**

See heading: B.1.1

**Complies X** Explain

**10. The external nominee and independent directors are to be a majority on the Board and the number of executive directors is to be the minimum necessary, taking into account the complexity of the group of companies and the percentage of the executive directors' holdings in the Company's capital.**

See headings: A.2, A.3, B.1.3 and B.1.14.

**Complies X** Explain

**11. If there are any external directors who cannot be considered nominee or independent directors, the Company must explain those circumstances and that individual's relationship, either with the Company and its management or with its shareholders.**

See heading: B.1.3

**Complies X** Explain

**12. Among the external directors, the balance between the number of nominee directors and the number of independent directors should reflect the existing proportion between the Company's capital represented by nominee directors and the rest of the capital.**

**This proportional criterion may be toned down, in such a way that the weight of the nominee directors may be greater than what would correspond according to the total percentage of the capital that they represent:**

**1. In large caps where there are very few or no shareholdings that can legally be considered significant holdings, but there are shareholders owning share blocks with a high absolute value.**

**2. When the Companies have a plurality of shareholders represented on the Board but with no relationships between them.**

See headings: B.1.3, A.2 and A.3

**Complies X** Explain

**13. The number of independent directors is to represent at least one third of the total directors.**

See heading: B.1.3

**Complies X** Explain

**14. The nature of each director is to be explained by the Board to the General Meeting of Shareholders that must approve or ratify the appointment, and it is to be confirmed or, should it be the case, revised annually in the Annual Report on Corporate Governance, after being verified by the Appointment Committee. And the report must also explain the reasons why nominee directors have been appointed at the behest of shareholders whose holdings are below 5% of the capital; an explanation must also be provided, should it be the case, in the event there are any unheeded formal requests for a seat on the Board by shareholders with holdings equal to or higher than those of others who requested and obtained the appointment of nominee directors.**

See headings: B.1.3 and B.1.4

**Complies X** Complies partially  Explain

**15. When the number of female directors is scarce or there are none, the Board is to explain the reasons and the initiatives adopted in order to correct that situation; and, in particular, the Appointment Committee must see to it that, whenever new posts become vacant:**

**a) The selection procedures are not to be affected by implicit biases hindering the selection of female directors;**

**b) The Company is to deliberately seek and include women with the appropriate professional profile among the candidates.**

See headings: B.1.2, B.1.27 and B.2.3.

**Complies X**    Complies partially     Explain     Does not apply

**16. The Chairman, as the person responsible for the efficient functioning of the Board, is to ensure that the directors receive sufficient information beforehand; he is to stimulate discussion and the active participation of the directors during Board meetings, safeguarding that they may freely take a position and express their opinion; and he is to organise and coordinate with the Chairmen of the relevant Committees the evaluation of the Board from time to time, as well as, should it be the case, the evaluation of the Managing Director or CEO.**

See heading: B.1 42

**Complies X**    Complies partially     Explain

**17. When the Chairman of the Board is also the CEO of the Company, one of the independent directors is to be empowered to request the calling of a Board meeting or the inclusion of new items on the agenda; to coordinate and take note of the concerns of the external directors; and to direct the evaluation of the Chairman by the Board.**

See heading: B.1.21

Complies     Complies partially     Explain     **Does not apply X**

**18. The Secretary of the Board is to especially see to it that the performance of the Board:**

**a) Is adjusted to the letter and the spirit of the Law and regulations, including those passed by regulatory bodies;**

**b) Is in conformity with the Bylaws of the Company and the General Meeting regulations, the Board regulations and any other regulations applying to the Company;**

**c) Takes into account the recommendations on governance contained in the Unified Code accepted by the Company.**

**And, in order to safeguard the independence, impartiality and professional performance of the Secretary, the appointment and removal of same are to be reported by the Appointment Committee and approved by the Board with all of its members present; and the appointment and removal procedure is to appear in the Board Regulations.**

See heading: B.1.34

**Complies X**    Complies partially     Explain

**19. The Board is to meet as frequently as required to efficiently perform its functions, following the program of dates and matters established at the start of the year, and each director may propose other items initially not provided on the agenda.**

See heading: B.1.29

**Complies X**    Complies partially     Explain

**20. Non-attendance by directors is to be reduced to inevitable cases and it is to be quantified in the Annual Report on Corporate Governance. If it is inevitable to appoint a proxy, it is to be appointed with instructions.**

See headings: B.1.28 and B.1.30

**Complies X** Complies partially  Explain

**21. When the directors or the Secretary state their concern regarding a proposal or directors state their concern on the performance of the Company and said concerns are not solved by the Board, it is to be noted for the record on the minutes at the request of the person stating said concern.**

**Complies X** Complies partially  Explain  Does not apply

**22. The Board with all of its members present is to evaluate once a year:**  
a) The quality and efficiency of the Board's performance;  
b) Based on the report submitted by the Appointment Committee, the performance of their functions by the Chairman of the Board and by the CEO of the Company;  
c) The performance of its Committees, based on the reports submitted by same.

See heading: B.1.19

Complies  **Complies partially X** Explain

**23. All of the directors must be able to exercise their right to obtain the additional information they deem necessary regarding matters pertaining to the Board. And, unless established otherwise by the Bylaws or the Board regulations, they are to address their requests to the Chairman or the Secretary of the Board.**

See heading: B.1.42

**Complies X** Explain

**24. All of the directors are to have the right to obtain from the Company the necessary advice to perform their functions. And the Company is to establish the adequate channels for the exercise of this right, which in special circumstances may include external advice paid for by the Company.**

See heading: B.1.41

**Complies X** Explain

**25. Companies are to establish a guidance program to provide new directors with quick and sufficient knowledge of the company, as well as of its rules of corporate governance. and they should also provide directors with knowledge updating programs when circumstances make it advisable.**

Complies  **Complies partially X** Explain

**26. Companies are to demand that directors dedicate to their function the necessary time and efforts to perform efficiently and, consequently:**

- a) Directors are to inform the Appointment Committee of their other professional obligations, in case they might interfere with the required dedication;**
- b) Companies are to establish rules regarding the number of Boards of which their directors may be members.**

See headings: B.1.8, B.1.9 and B.1.17

**Complies X** Complies partially  Explain

**27. Proposals on the appointment or re-election of directors submitted by the Board to the General Meeting of Shareholders, as well as their provisional appointment by co-optation, are to be passed by the Board:**

- a) Following a proposal of the Appointment Committee, in the case of independent directors.**
- b) Following a report of the Appointment Committee, in the case of the remaining directors.**

See heading: B.1.2

**Complies X** Complies partially  Explain

**28. Companies are to publish the following information on their directors on their website, and they are to keep it updated:**

- a) Professional profile and biography;**
- b) Other Boards of Directors of which they are members, regardless of whether they are listed companies;**
- c) Indication of the category of directors to which they belong, stating, in the case of nominee directors, the shareholder they represent or with whom they are related.**
- d) Date of their first appointment as a director of the Company, as well as the date of subsequent re-elections; and**
- e) Shares in the Company, and share options, held by that director.**

Complies  **Complies partially X** Explain

**29. Independent directors are not to remain on the Board as such during a continuing period exceeding 12 years.**

See heading: B.1.2

**Complies X** Complies partially  Explain

**30. Nominee directors are to tender their resignation when the shareholder they represent sells the entirety of its shareholding, and they are also to do the same, in the corresponding number, when said shareholder lowers its holding to a level demanding a reduction in the number of its nominee directors.**

See headings: A.2, A.3 and B.1.2

**Complies X** Complies partially  Explain

**31. The Board of Directors is not to propose the removal of an independent director prior to the completion of the statutory period for which he was appointed, unless there is a fair reason to do so, considered by the Board following a report by the Appointment Committee. In particular, it shall be understood that there is a fair reason when the director has not complied with duties inherent to his office or if he is affected by any of the circumstances described in Section III heading 5 of the definitions in this Code.**

**The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate transactions entailing a change in the Company's capital structure when such changes in the structure of the Board are favoured by the proportionality criterion set out in Recommendation 12.**

See headings: B.1.2, B.1.5 and B.1.26

**Complies X** Explain

**32. Companies are to establish rules obliging directors to report and, should it be the case, resign in cases that may harm the Company's credit and reputation, and in particular they must be obliged to report any criminal proceedings in which they are the accused, as well as the subsequent development of the proceedings.**

**If a director is taken to Court or if oral proceedings commence against him because of any of the offences stated in article 124 of the Public Limited Companies Act, the Board must review the case as soon as possible and, in light of the specific circumstances, it must decide whether it is appropriate that the director remains in office. The Board is to give a reasoned explanation of the foregoing in the Annual Report on Corporate Governance.**

See headings: B.1.43, B.1.44

Complies  Complies partially  **Explain X**

At present the Board of Directors is considering the inclusion of this obligation in the Board of Directors Regulations and the Internal Conduct Regulations.

**33. All of the directors are to clearly state their opposition if they consider that a proposed decision submitted to the Board may be contrary to the Company interests. And the same must be done, especially by the independent directors and the other directors not affected by the potential conflict of interest, when such decisions may harm the shareholders that are not represented on the Board.**

**When the Board passes significant or repeated decisions regarding which a director has expressed serious reservations, that director is to draw his conclusions and, if he chooses to resign, he must explain the reasons in the letter mentioned in the next recommendation.**

**This Recommendation also applies to the Secretary of the Board, even if he does not have director status.**

**Complies X** Complies partially  Explain  Does not apply

**34. When, either because of resignation or for any other reason, a director leaves office before the end of his term, he must explain the reasons in a**

letter to be sent to all of the members of the Board. And, notwithstanding said removal being reported as a significant event, the reason for the removal is to be set out in the Annual Report on Corporate Governance.

See heading: B.1.5

**Complies X**    Complies partially     Explain     Does not apply

**35. The remuneration policy approved by the Board shall refer at least to the following matters:**

**a) Amount of fixed remuneration items including a breakdown, where appropriate, of allowances for attendance at Board and Committee meetings and an estimate of the annual fixed remuneration in respect thereof.**

**b) Variable remuneration items, including details of:**

**i) The classes of directors to which they apply, as well as an explanation of the proportion of variable remuneration items relative to fixed remuneration.**

**(ii) Criteria for the appraisal of the results on which any right to remuneration by way of shares, share options or any other variable component may be based.**

**iii) Key parameters and basis of any annual bonus system or other benefits not paid in cash.**

**iv) Estimate of the total variable remuneration arising from the proposed remuneration plan based on compliance with the assumptions or objectives taken as the basis for the same.**

**c) Key characteristics of pension and similar systems (e.g. supplementary pensions, life insurance or other products of analogous nature), including estimates of the amount or equivalent annual cost thereof.**

**d) Mandatory conditions established in the contracts of persons performing senior management functions as executive directors, including:**

**i) Term**

**ii) Notice periods**

**iii) Any other clauses related with hiring bonuses, as well as severance pay or protection in the case of early rescission or termination of contractual relationships between the Company and the executive director.**

See heading: B.1.15

**Complies X**    Complies partially     Explain

**36. Remuneration paid by way of the award of shares in the Company or in group companies, share options or instruments benchmarked against the share price, variable remuneration linked to the performance of the Company and pension and similar systems shall be confined to executive directors. This recommendation shall not affect the award of shares where the same must be held until the director leaves office.**

See heading: A.3, B.1.3

Complies     **Explain X**

The Company's Options Plan is currently applicable to all employees and directors of the Jazztel Group (except for the affiliated Jazzplat, S.A.) and to all directors of the Company. The award of options is not linked to the attainment of specific goals

or targets by the Company, but is designed rather to attract talent, motivate and enhance loyalty to the Company.

In addition to the previous Plans, the Company has approved the Options Plan 2009-2012 applicable to the Board of Directors Members and a Group of Managers of the Company.

**37. The remuneration of external directors shall be established as necessary to compensate them for the time, skills and responsibilities required of the office held. However, it shall not be so high as to compromise their independence.**

**Complies X** Explain

**38. Remuneration related with the results of the Company shall take into consideration any possible qualifications in the auditor's report that might reduce such results.**

**Complies X** Complies partially  Explain

**39. In the case of variable remuneration, remuneration policies shall include the necessary technical requirements to ensure that such remuneration is proportionate to the professional performance of beneficiaries and is not merely a consequence of the general evolution of markets, the sector in which the Company operates or other similar circumstances.**

**Complies X** Complies partially  Explain

**40. The Board shall submit its report on policy concerning the remuneration of directors to a vote at the General Meeting of the Shareholders as a separate item on the agenda, and the said report shall be made available to the shareholders, either separately or in any other manner deemed appropriate by the Company.**

**This report shall concentrate in particular on the remuneration policy approved by the Board for the current year, as well as the policy applicable to future years, where appropriate. It shall address all issues referred to in Recommendation 35, except where this might involve the disclosure of commercially sensitive information. It shall describe significant changes in policy as compared to that applied in the prior year to that referred to at the General Meeting. It shall also include a general summary of how the remuneration policy was applied in the prior year. The Board shall also report on the role played by the Remuneration Committee in the preparation of the remuneration policy and, where the services of external advisors may have been used, the identity of such external consultants.**

See heading: B.1.16

**Complies X** Complies partially  Explain

**41. The Notes to the annual accounts shall include details of the individual remuneration earned by the directors during the year, as well as:**

**a) The individual breakdown of the remuneration of each director shall, where appropriate, include:**

- i) Allowances for attendance at meetings and other fixed remuneration of the director:
  - ii) Any additional remuneration earned as the chairman or as a member of any committee of the Board.
  - iii) Any remuneration earned by way of share in profits or bonuses, and the basis on which the same was awarded.
  - iv) The payments made in favour of the director to defined contribution pension schemes, or any increase in the vested rights of the director in the case of contributions to defined benefits schemes.
  - v) Any indemnities agreed or paid in the case of termination of the director's functions.
  - vi) Any remuneration received as a director of other group companies.
  - vii) The remuneration earned in respect of the performance of senior management functions by executive directors.
  - viii) Any other remuneration items other than the above, of whatever nature or paid by any group company, especially where the same is treated as a related-party operation or the omission of the same would distort the true and fair image of the total remuneration earned by the director.
- b) An individual breakdown of any possible awards of shares, share options or any other instrument benchmarked to the share price to directors, including details of:
- i) The number of shares or options awarded during the year, and the conditions for the exercise thereof.
  - ii) The number of options exercised during the year, with an indication of the number of shares involved and the strike price.
  - iii) The number of options outstanding at the year end, with an indication of the strike price, date and other requirements.
  - iv) Any amendments during the year of the conditions for the exercise of options awarded.
- c) Information concerning the relationship in the past year between the remuneration earned by executive directors and the results of the Company, or any other performance indicator.

**Complies X**   Complies partially    Explain

**42. Where a Standing or Executive Committee may exist (hereinafter the "Standing Committee"), membership of the different classes of directors shall be structured in a similar manner to that of the Board itself, and the secretary shall be the secretary to the Board.**

See heading: B.2.1 and B.2.6

Complies    Complies partially    Explain    **Does not apply X**

**43. The Board shall at all times be informed of the issues considered and the decisions adopted by the Standing Committee, and all of the members of the Board shall receive a copy of the minutes to meetings of the Standing Committee.**

Complies    Complies partially    **Explain X**

There is no Standing Committee.

44. The Board of Directors shall create the Audit Committee required by the Spanish Securities Exchange Act from among its members, as well as an Appointment and Remuneration Committee, or two separate committees. The rules for the membership and functioning of the Audit Committee and of the Appointment and Remuneration Committee (or the two separate committees) shall be included in the Board Regulations, and shall include the following:

a) The Board shall appoint the members of these Committees, taking into consideration the knowledge, skills and experience of the directors and the duties of each Committee. It shall likewise discuss the proposals and reports made by the same, and the Committees shall report on their activities and account for the work carried out at the next full session of the Board following their meetings.

b) The Committees shall be formed exclusively by external directors with a minimum of three members. This condition shall be interpreted without prejudice to attendance at meetings by executive directors or senior executives, where expressly agreed by the Committee members.

c) The Chairmen of the Committees shall be independent directors.

d) The Committees may seek external advice where deemed necessary for the performance of their functions.

e) Minutes of meetings shall be drawn up and copies furnished to all of the members of the Board.

See heading: B.2.1 and B.20.3

Complies  Complies partially  Explain

45. The Audit Committee, the Appointment Committee or, if such exist separately, the Compliance or Corporate Governance Committee, shall be responsible for overseeing compliance with internal codes of conduct and the rules of corporate governance.

Complies  Explain

46. The members of the Audit Committee and, in particular the chairman of the same, shall be appointed taking into consideration knowledge and experience in accounting, audit and risk management matters.

Complies  Explain

47. Listed companies shall establish an internal audit department under the supervision of the Audit Committee. This department shall oversee the proper functioning of information and internal control systems.

Complies  Explain

48. The internal audit manager shall submit an annual plan of work to the Audit Committee and directly report any incidents arising in the progress of the same, and shall submit a final report on activities at the end of the year.

Complies  Complies partially  Explain

49. Risk control and management policy shall identify at least:

a) The different types of risk (operational, technological, financial, legal, reputation-related, etc.) to which the Company is exposed, including

contingent liabilities and other off-balance sheet risks among financial and economic risks.

b) Determination of the level of risk exposure deemed acceptable by the Company.

c) The measures in place to mitigate the impact of the risks identified in the event same should materialise.

d) Information and internal control systems used to control and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.

See heading: D

**Complies X** Complies partially  Explain

**50. It is the responsibility of the Audit Committee:**

**1. In relation to information and internal control system:**

a) To supervise the preparation process and the integrity of the Company's financial information and, where applicable, that of the group, reviewing compliance with regulatory requirements, appropriate definition of the scope of consolidation and the appropriate application of accounting criteria.

b) To review from time to time the internal control and risk management systems, to ensure that the principal risks are identified, managed and appropriately reported.

c) To safeguard the independence and effectiveness of the internal audit function; to propose the selection, appointment, re-appointment or dismissal of the internal audit manager; to propose the budget for the internal audit function; to receive periodic reports concerning its activities; and to verify that senior management is aware of the conclusions and recommendations made in internal audit reports.

d) To establish and supervise a mechanism allowing employees to report any potentially significant irregularities, especially of a financial or accounting nature, observed in the Company on a confidential and, where deemed appropriate, anonymous basis.

**2. In relation to the external auditor:**

a) To make proposals to the Board with regard to the selection, appointment, re-election and replacement of the external auditor, as well as the terms and conditions of the engagement.

b) To receive regular information from the external auditor regarding the audit plan and the results of the execution thereof, and to verify that senior management takes recommendations into consideration.

c) To ensure the independence of the external auditor, for which purpose:

i) To ensure that the Company reports any change of auditor to the Spanish National Securities Market Commission as a relevant event, accompanying such report with a declaration concerning the existence of any disagreement with the outgoing auditor and, where applicable, the content of the same.

ii) To ensure that the Company and the auditor ensure that prevailing rules governing the provision of non-audit services are duly respected, as well as the limits on the concentration of the auditor's business and, in general, any other rules established to ensure auditor independence.

iii) In the event the external auditor should resign, to examine the circumstances giving rise to such event.

d) In the case of groups, to support the acceptance of responsibility by the group's auditor for the audits of the group companies.

See heading: B.1.35, B.2.2, B.2.3 and D.3

**Complies X** Complies partially  Explain

**51. The Audit Committee may summon any employee or director of the Company, and may require the appearance of the same without the presence of any other director.**

**Complies X** Explain

**52. The Audit Committee shall report to the Board in advance of the adoption by the same of any resolutions concerning the following matters referred to in Recommendation 8:**

**a) The final information that the Company is required, as a listed concern, to report on a regular basis. The Committee shall ensure that the interim financial statements are prepared under the same accounting criteria as the annual financial statements and, for that purpose, shall consider the appropriateness of a limited review by the external auditor.**

**b) Creation or acquisition of any equity investments in special purpose vehicles and companies registered in tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, might negatively affect the transparency of the group.**

**c) Related-party transactions, except where the responsibility for the prior report may have been assigned to the Oversight and Control Committee.**

See heading: B.20.2 and B.20.3

**Complies X** Complies partially  Explain

**53. The Board of Directors shall seek to submit financial statements that are free of emphasis of matter paragraphs or qualifications in the audit report to the General Meeting, and in the exceptional circumstances in which such might exist, both the Chariman of the Audit Committee and the auditors shall provide the shareholders with a clear explanation of the content and scope of such matters or paragraphs.**

See heading: B.10.38

**Complies X** Complies partially  Explain

**54. The majority of the members of the Appointment Committee, or of the Appointment and Remuneration Committee, shall be independent directors.**

See heading: B.2.1

**Complies X** Complies partially  Explain

**55. The functions of the Appointment Committee, in addition to those referred to in the preceding recommendations, shall include the following:**

**a) To evaluate the competences, knowledge and experience required on the Board and, in light thereof, to define the functions and skills required of candidates to cover any vacancy; and to evaluate the time and dedication required to perform the office.**

- b) To examine or organise the succession of the Chariman and of the CEO in the manner deemed most appropriate and, where applicable, to make proposals to the Board to ensure that such succession takes place in an orderly and well planned fashion.
- c) To report on the appointment or dismissal of senior executives as proposed to the Board by the CEO.
- d) To report to the Board on the gender diversity issues referred to in Recommendation 14 of this Code.

See heading: B.2.3

**Complies X**    Complies partially     Explain     Does not apply

**56. The Appointment Committee shall consult the Chairman and the CEO of the Company, especially on matters concerning the executive directors. Any director shall be allowed to request the Appointment Committee to consider potential candidates to cover vacant directorships, where the same are considered ideal.**

**Complies X**    Complies partially     Explain     Does not apply

**57. The functions of the Remuneration Committee, in addition to those referred to in the preceding recommendations, shall include the following:**

- a) To propose the following to the Board of Directors:
  - i) The remuneration policy applicable to directors and senior executives.
  - ii) The individual remuneration of executive directors and other terms and conditions of their contracts.
  - iii) The basic terms and conditions of senior executives' contracts.
- b) To safeguard compliance with the remuneration policy established by the Company.

See heading: B.1.14, B.2.3

**Complies X**    Complies partially     Explain     Does not apply

**58. The Remuneration Committee shall consult the Chairman and the CEO of the Company, especially on matters concerning the executive directors and senior executives.**

**Complies X**    Explain     Does not apply

## **G OTHER INFORMATION OF INTEREST**

If you consider that any other relevant principle or aspect concerning corporate governance practices applicable to your company has not been covered by this report, mention them and explain their contents below:

### **EXTENSION TO A.1**

The Company has 5,000.000 non-voting shares of 0,01 sterling pounds each.

On April 30, 2007 the annual General Meeting approved to increase the authorised ordinary share capital of the Company from £50,000 divided into 5,000,000 non-voting shares of £0.01 each and €194,000,000 divided into 2,425,000,000 ordinary shares of €0.08 each.

In section A1, and because the software provided does not allow to present the capital in two different currencies it has been added to the total capital the actions issued in sterling pounds with a value of 0.01 Euros instead of 0.01 Pounds.

On November 6th 2008, the Board of Directors Meeting authorized contracting Jeffries as professional external adviser to collaborate with the Company in the appropriate strategies and negotiations for restructuring of the bonds.

Because the Company social address is in London Jazztel operates under the UK Companies Act 1985.

### **EXTENSION TO A.2**

At 31 December 2008 the participation of the main shareholder, Leopoldo Fernández Pujals, through the company Prepsa Traders, S.A., was 10.499% of ordinary shares with voting rights (156,610,198 shares) and 10.242% of share capital corresponding to 152,777,777 ordinary shares without voting rights, as these shares have been granted as a guarantee for the convertible bond issue to Dresdner Kleinwort Wasserstein Securities Limited. Dresdner Kleinwort Wasserstein Securities Limited reported to the CNMV that on 20 April 2005 the shares were loaned to the bondholders, all of them with a participation in the company of less than 3%.

### **EXTENSION TO B.1.11 a) and b)**

In the information boxes of "Others" should be included the "car compensation".

### **EXTENSION TO B.1.19**

However, at each Annual General Meeting:

- a) any Board member who was elected or last re-elected a Board member at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation; and
- b) such further Board members (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Board members in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

Board members appointed by the Board itself shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Board members who are to retire by rotation at such meeting.

### **EXTENSION TO C.2**

On March 30, 2005 the Company reached an agreement with SOCIETE GENERALE Corporate and Investment Banking ("Société Générale") related to a PACEO Financing transaction consisting of a line of financing through various share issues only activated on Company's request. Based on those requests, Société Générale undertakes to subscribe up to the maximum of 140 million new shares or shares having a value of up to 120 million Euros depending on the

share's market performance and volumes exchanged. According to the agreement reached with Société Générale, Jazztel may issue shares having a value of up to 80 million euros at each share issue. Jazztel will communicate in advance to the market the possibility of any issue reference period to be started within the following 30 trading days after the announcement. Ahead of every share issue, a reference period of up to 20 days will be used by Société Générale as a demand prospecting period, by selling shares into the market and final investors. Société Générale will subscribe all the new shares that Jazztel will issue in each of the reference periods, at an issue price related to the volume weighted average price of the trading days of the relevant issue reference period.

On March 14, 2007 the Company entered into a new financing agreement called PACEO with Société Generale S.A., under the same terms as the above-mentioned agreement.

On January 4, 2007 Jazztel announced the possibility to start a reference period in relation with the PACEO and on February 1, 2007 Jazztel announced the result. 80,000,000 ordinary shares were issued with a medium price of €0.6143.

On May 11, 2007 Jazztel announced the possibility to start a reference period in relation with the PACEO and on June 15, 2007 Jazztel announced the result. 8,000,000 ordinary shares were issued with a medium price of €0.5856.

On June 15, 2007 Jazztel announced the possibility to start a new reference period in relation with the PACEO and on July 20, 2007 Jazztel announced the result. 15,530,175 ordinary shares were issued with a medium price of €0.5010.

Therefore, on December 31, 2007 it has been issued through the new PACEO a total amount of 23.530.175 shares, staying, to the sole discretion of the Company, the possibility of doing and additional financing, issuing up to 107.534.582 Euros or 116.469.825 shares.

For these three tranches of PACEO, Société Générale and Prepsa Traders, S.A. subscribed a Loan Agreement that was duly communicated to the CNMV.

On August 28, 2008 Jazztel renewed the PACEO Financing agreement. The new agreement will be finalised by February 2010. Société Generale S.A. undertakes to subscribe up to the maximum of 149 million new shares or shares having a value of up to 50 million Euros. Jazztel will active this Agreement on his own request. During 2008 it has not been issued any share following PACEO Agreement.

## **EXTENSION TO F**

The Board of Directors passed, in December 2008, a Resolution to study and adopt in the Company any measures that are necessary for a greater and better compliance with the recommendations established in the Unified Code of Governance, which shall be implemented throughout the year 2009.

Any other information, clarification or further details concerning previous sections of the report may be included in this section.

To be more specific, indicate whether the company is subject to foreign legislation concerning corporate governance. If so, include any such information that is required and different from the information required by this report.

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**Binding definition of an independent director:**

Indicate whether any of the independent directors have or have had any relationship with the company, its significant shareholders or executives, which, if it had been sufficiently significant or important, would have meant that the director could not be considered independent pursuant to the definition set out in part 5 of the Unified Code of Governance:

Yes

No

Name of Board member	Type of relationship	Reason

This annual corporate governance report was approved by the Board of Directors at its meeting held on February 25, 2009.

State the Directors who either voted against or abstained from voting to approve of this Report.

Yes

No

Name or trade name of the director that has not cast a favourable vote for the approval of the report herein	Reasons (against, refrained from voting, did not attend)	Explain the reasons