



POLICY ON WHISTLEBLOWING CHANNEL MANAGEMENT



Corporate Rule

Approved by the Board of Directors of Telefónica, S.A.

Telefónica, S.A.

2nd Edition – October 2019

Index

1. Introduction and Objective
2. Scope of Application and General Provisions
3. Protection of Personal Data
4. Operation of the Whistleblowing Channel
 - 4.1 *Access and Functioning of the Channel*
 - 4.2 *Registration and Classification of the Complaints*
 - 4.3 *Preliminary Analysis of the Alleged facts*
 - 4.4 *Verification of the Alleged facts*
 - 4.5 *Resolution of the Complaint*
 - 4.6 *Preservation of the Information*
 - 4.7 *Complaints received from External Personnel (non - Telefonica Telefónica Group)*
5. Protection of the Whistleblower
6. Advertising
7. Effective Date

ANNEX: Communications categories to the whistleblowing channel

1. INTRODUCTION AND OBJECTIVE

As established in the Sustainable Business Principles (Telefónica Ethics Code), approved by the Board of Directors, each and every person working in the Telefónica Group must behave with integrity, and comply with the laws and internal regulations in their daily activities, in addition to having the duty to cooperate to prevent someone from acting incorrectly or without integrity.

Therefore, it is a duty of all employees, officers, and directors of the Telefónica Group to communicate any alleged irregularity or act contrary to the law, or to the internal regulations that they may have knowledge of. This is the only way that any suspicion or doubt of irregularity is proven and, as the case may be, appropriate measures can be taken to repair its consequences and prevent the recurrence of that irregularity in the future. Thus, improving the professional, social, and ethical environment, and the commitment to compliance with laws and regulations of the Telefónica Group.

In compliance with the Sarbanes-Oxley Act, which requires the Audit Committees of the companies whose securities are admitted to trading in the stock markets of the United States, to establish a specific channel for the reception and processing of complaints related to accounting and auditing issues, the Audit and Control Committee of the Board of Directors approved in its meeting of 17 December 2004 the implementation of a SOA whistleblowing channel and its corresponding development regulations.

Furthermore, together with the Sustainable Business Principles, in 2006 the Board of Directors approved the creation of a channel available to employees and other stakeholders, through which issues associated with the compliance of the Sustainable Business Principles, as well as possible non-compliances of said principles, could be raised.

In view of this, by the present policy, the Company aims to unify the regulations governing the management of the existing channels in a single Whistleblowing Channel of the Telefónica Group; through which employees, executives, board members, and other stakeholders of the Telefónica Group may communicate any information that they are aware of, by any means, formal or not, about the existence of a possible irregularity, act contrary to the law or the internal regulations, also including any irregularities related to accounting issues, issues related to audit, and/or aspects related to the internal control over the financial reporting, in compliance with section 301 of the Sarbanes-Oxley Act of the United States, and other requirements in this regard.

Similarly, employees can also report any potentially irregular behaviour to their hierarchical superior executive, who shall inform the head of the Internal Audit area of the company in which they provide their services, or directly to the head of Internal Audit, who shall transfer the corresponding information to the Whistleblowing Channel as soon as possible, thus complying with the aforementioned duty of communication.

Notwithstanding the aforementioned, the whistleblower protection measures provided for in this Policy not may be implemented by the company until the transfer of the communication to the Whistleblowing Channel or to the heads of the corresponding Internal Audit area. In any case, the proof of registration in the Channel, established in section 4.2 of this Policy, must be facilitated to the whistleblower.

The principles of confidentiality of the data provided¹, as well as of the statements made, respect and basis govern the management of the Whistleblowing Channel; in such way any decision taken from its receipt shall be made in a reasoned and proportionate manner, and considering the circumstances of the alleged facts, with full respect for the rights and the due guarantees for the whistleblower, and for the affected people, if any.

Specifically, the Channel guarantees the confidentiality of the identity of the whistleblowers and the affected people, as well as of the communications. The presumption of innocence of all the affected people is guaranteed. Any person who denounces shall be provided with due protection, and any action regarding him/her that may be considered as a threat, discrimination, or retaliation shall be punished.

There is no specific format for presenting a communication through the Whistleblowing Channel, and it can be done anonymously. Making a complete description of the alleged fact is recommended, as well as identifying the persons who are allegedly affected or implicated in it -if any - and providing specific data, dates, companies, or third parties related to the described action or fact; all of this in order to favour, as the case may be, the subsequent verification of the facts that are the subject of the communication.

Allegations reported in bad faith, knowing that they are false, shall be subjected to disciplinary actions, in accordance with the provisions of the Corporate Policy on the Comprehensive Disciplinary Program.

2. SCOPE OF APPLICATION AND GENERAL PROVISIONS

The present Policy is applicable to all the companies which compose the Telefónica Group. For the purposes of the present regulation, "Telefónica Group" or "Group" is understood to be: TELEFÓNICA, S.A. (Henceforth, "TELEFÓNICA" or the "Company") and those companies in whose social capital the Company has, directly or indirectly, the majority of the shares, participations, or voting rights, or in whose governmental or administrative body it has designated or has the power to designate the majority of its members, in such a way that it effectively controls the company.

The Board of Directors of TELEFÓNICA has allocated among its functions the establishment of the foundations for an adequate and efficient coordination between the Company and the other companies that belong to Telefónica Group, both Spanish and foreign; respecting, in any case, the autonomy of decision of the boards of

¹ In no case the confidentiality of the Channel can be seen as an impediment or obstacle that restrict or condition the possible communication of the facts to the competent Authorities.

directors and managers of each company, in accordance with the social interest of the Company itself and that of each of the companies that make up the Group.

Therefore, it is the duty of the Board of Directors of TELEFÓNICA to approve this Policy, thus fulfilling its function of establishing the bases, setting the instruments, and designing the mechanisms necessary for an adequate and efficient coordination in the activities related to the management of allegations; notwithstanding the autonomous decisions that correspond to each company of the Group according to the legislation of the country where each of them operates, their condition as a listed company, or not, and the particularities of their business.

Each company of the Group shall be responsible for the management of the communication of irregularities, acts contrary to the law or to the internal regulations of the Group that affect said company, under the terms established in the present Policy and its development regulations.

In listed Companies, the Audit and Control Committee of the Board of Directors of the corresponding company will receive, through Internal Audit, allegations related to issues related to accounting aspects, audit issues, internal controls over the financial information and / or all those issues which refer the Sarbanes-Oxley Act, including any fraud, material or not, affecting the Management, and affecting any Group company - as well as the result of the management that stems from the own audit of these cases.

Internal Audit shall periodically inform to the Audit and Control Committee of TELEFÓNICA the activity related to the Whistleblowing Channel. In this regard, the Audit Committee of TELEFÓNICA will receive periodic information of all relevant allegations received in the Group and in particular, those related to deficiencies in the internal control over financial reporting.

The head of the Internal Audit area of each company² shall be responsible for the registration and the admission to processing of the communications received in the Channel that refer to the company itself. With the allegations recognized as such, Internal Audit shall proceed to the verification and review of the alleged facts. After said verification has concluded, the file shall be transferred to the affected areas for all appropriate effects.

Internal Audit shall ensure at all times the broadest possible access to the content of the Whistleblowing Channel to the Compliance area, which shall receive as many reports are issued arising from the reviews of alleged facts. The areas affected by the alleged facts shall participate in the design, and shall monitor the action plans.

In this sense, and for the purposes of mitigating the consequences associated with a possible breach, if the alleged facts should have an impact on compliance aspects, the Compliance area -in the exercise of its remediation function- may request being involved in the design and monitoring of the corresponding action plans. Furthermore, it shall be informed of the development of the analysis tasks of said alleged facts.

² The Internal Audit area functionally assigns to each subsidiary of the Group an Audit head in those cases in which said companies do not have their own structures.

3. PROTECTION OF PERSONAL DATA

In the management of the Whistleblowing Channel, the legal regulations regarding the protection of personal data applicable to the different companies of the Group, shall be complied with. In particular, the following aspects shall be taken into account:

- All companies must implement the personal data security measures that are applicable according to the risk level that is established for the Whistleblowing Channel or, as the case may be, the measures that are mandatory under the applicable legal regulations and the internal regulations related to this aspect of the Group. The security level must be, at least, equivalent to what is considered in the data protection compliance system for sensitive data or special category data, in accordance with the applicable data protection regulation.
- Whereas TELEFÓNICA SA is the managing entity of the platform on which the whistleblowing channel operates, an agreement establishing the rights and obligations of the parties, (Telefonica S.A. and the Group companies) should be formalized, especially those issues related to data protection .
- Appropriate compliance with the processing of personal data must be guaranteed, and in particular with respect to the rights of the owners of said data to be informed about their processing. All of this, according to the legislation applicable in each country.

4. OPERATIVA DEL CANAL DE DENUNCIAS

4.1. OPERATION OF THE WHISTLEBLOWING CHANNEL

The Whistleblowing Channel will be accessible through:

- the **TELEFÓNICA Intranet** and, if necessary, its web page.
- a **telephone number**. In said case, the complaint shall be recorded and preserved as an audio recording, according to the applicable legislation.
- specific **email** addresses of the Whistleblowing Channel, as determined.

The complaints or grievances may also be submitted by letter addressed to the TELEFÓNICA Internal Audit Directorate, or to its representatives in the corresponding companies or countries.

The Whistleblowing Channel is a single channel for all companies of the Group, although it will have a system that makes it possible to assign each complaint to the company to which the facts that are the subject of the communication refer to, sending said complaint to the head of Internal Audit of said company.

The whistleblower who wishes to remain anonymous may do so with the sufficient guarantees established in this Policy.

Any action aimed at preventing an employee from presenting a communication through the Whistleblowing Channel shall be punished in accordance with the applicable labour and disciplinary regime.

The set of activities of the different companies for the registration, admission to processing, verification, and resolution of the communications received in the Whistleblowing Channel shall be developed in the shortest possible time, according to the characteristics of the alleged facts, and any other concurrent circumstances.

4.2. Registration and classification of the complaints

All the complaints received shall be analysed by Internal Audit independently, and the confidentiality of the identity of the person who presents it, and that of the denounced person or persons, shall be guaranteed.

Once the communication is received, it shall be assigned a sequential identification code, and shall be incorporated into a database, in which the classification given to said complaint and its processing status shall be recorded. The database will be updated throughout the different phases of the procedure.

The whistleblower shall be provided with a receipt for the presentation and registration of the communication made in the channel, in order to certify compliance with the general duty of cooperation referred to in paragraph 1 of this policy.

The complaints shall be classified in order of importance from 1 to 5, where 1 are those considered most relevant, and 5 those considered less relevant. The following are aspects considered to be most relevant:

- Situations that may give rise to possible criminal liabilities of the company or its executives, including (but not limited to) those that may involve acts, that if confirmed, could be classified as corruption in the public sphere, in any of its forms.
- Situations in which there is a risk of violating any current legislation.
- Situations which, if known outside of the company, may cause damage to the image of the group.
- Situations which represent a "business continuity" risk.
- High amount associated with the founded complaint.
- Number of people or areas affected by the alleged facts.

All communications that refer to facts that may constitute acts of corruption will be classified with a 1 rating.

The valuation indicated in this section shall determine the priority when starting the review of the same and the allocation of resources. Once the preliminary analysis of the communication is done, its rating will be indicated on a provisional basis.

In the event that, subsequently, new data or facts are obtained and make it advisable to vary the initially assigned rating, the change in priority shall be justifiably modified and duly documented.

The communications received in the channel shall be classified in accordance with their nature and with the categories in the **Annex**. This classification, which may be updated as the needs for information in this regard evolve, must always consider those alleged facts related to accounting irregularities, the internal control over the financial information, or audit issues in a differentiated and specific manner.

The complaints received through the Whistleblowing Channel, and which are related to situations of discrimination, moral harassment (*mobbing*), and gender or sexual harassment, shall be processed, as the case may be, in accordance with the specific procedures which may exist for these specific subjects in the company that employs the whistleblower.

4.3. Preliminary analysis of the alleged facts

Once a communication is received, the head of Internal Audit of each company shall determine whether or not to give process to said communication, considering if it does or does not meet the minimum requirements for this purpose. In the event that the communication is manifestly unfounded, or that, being anonymous, does not provide sufficient information for the verification of the alleged facts, it shall not be admitted for processing, documenting such decision.

In the event that the alleged facts could affect more than one company of the Group or professionals assigned to several of them, the communication shall be sent by any of the affected companies to the Chief Audit Executive of TELEFÓNICA to take the appropriate coordination measures, including the certiorari of the decision regarding its admission to processing and the determination of the company responsible for the verification.

4.4. Verification of the alleged facts

When according to the preliminary analysis of the complaint is appropriated, the head of the Internal Audit function of each company shall proceed to the verification and analysis of the alleged facts; for this purpose, the collaboration of other areas of the company, or of third parties, may be requested if necessary.

Throughout the investigation process, the presumption of innocence is guaranteed to all affected persons.

4.5. Resolution of the complaint

Once the audit of the alleged facts has been concluded, Internal Audit will reach conclusions that will be transferred to the competent areas and according, to what it is established in this Policy, said conclusions could be formalized in a report.

Additionally, adequate compliance with the applicable Data Protection Legislation and, in particular, regarding the rights of the owners of such data must be ensured.

**a) If the existence of an infringement is considered not to be accredited:
Closing of the file**

If it is determined that the perpetration of any irregularity, act contrary to the law or the internal standards, has not been accredited, an agreement shall be reached to close the file without the need to adopt any measure, proceeding with its filing. Documenting said decision.

b) If the existence of an infringement is considered accredited:

If it is determined that the perpetration of any irregularity, act contrary to the law or the internal standards of the Group, has been accredited, said situation will be transferred to the head of the affected area and to the Human Resources area for the appropriate disciplinary effects. Regardless of the fact that the Compliance area has full and permanent access to the Whistleblowing Channel and is periodically informed of the development of the verification tasks and analysis of the complaints, it will formally have access to any complaints resolution reports that are issued.

In those cases where because of its relevance it is considered necessary, at the request of any of the aforementioned areas, it may be transferred to:

- the Disciplinary Action Committee or equivalent body of the company to which the facts that are the subject of the file refer to.
- to the Legal Services of the corresponding company.
- as the case may be, to the corresponding Global Head.

4.6. Preservation of the information

The information shall be stored and preserved in accordance with the legal requirements that may apply in each case regarding this matter. The processing of personal data shall also be appropriate to the applicable legislation regarding this matter. In any case, the possible requirements of public administrations, courts, and tribunals under the terms established by

the legislation in force, shall be considered, and only during the period of limitations of the actions that may stem from the processing in question.

4.7. Complaints Originating from Personnel External from the Telefónica Group

If a third party transfers a complaint to an employee, said employee will have the obligation to communicate it to Internal Audit.

In accordance with the requirements of the Sarbanes-Oxley Act, a third party external to the Telefónica Group (in other words, a shareholder, customer, provider, etc.) who has information about any irregular practice related to accounting issues, internal controls on accounting and/or issues related to audit, and makes it available to an employee of the Group, regardless of the procedure used to provide this information, the employee has the obligation to communicate this information to the Internal Audit Directorate of TELEFÓNICA, or to the heads of Internal Audit in the appropriate companies or countries (who, in turn, will have to proceed in accordance with what is previously established in this policy).

The non-processing of the complaints or grievances received by an employee to the Internal Audit Directorate of TELEFÓNICA or to the heads of Audit in the companies or countries will, as the case may be, be considered a violation under the terms established in the current applicable legislation.

5. PROTECTION OF THE WHISTLEBLOWER

The Whistleblowing Channel is governed by the principles of confidentiality, respect, and basis.

Any person who presents a complaint in good faith shall be given due protection in accordance with the provisions of the applicable regulations.

Specifically, any employee who uses in good faith the Whistleblowing Channel to report specific irregularities related to accounting issues, issues related to audit and/or aspects related to the internal control over the financial reporting, either anonymously or providing their identity, shall have the right to be protected as set forth in section 806 of the Sarbanes-Oxley Act.

The Whistleblowing Channel has been designed so that the whistleblower who wishes to remain anonymous can do so with sufficient guarantees. In this sense, if the whistleblower freely chooses not to hide his/her identity, the resolution of the complaint report will seek to not make any reference to the identity of the whistleblower or the parties involved, in order to guarantee the due confidentiality.

If the name of the whistleblower becomes publicly known for any reason, in the case of an employee, the Human Resources area of the Company where

said employee provides his/her services will be informed for the purpose of monitoring said employee's employment stability, granting him/her a transfer from his/her current job position if this is deemed convenient.

Any action against the whistleblower employee that can be understood as a threat, discrimination, or retaliation for presenting a complaint, as the case may be, will be considered a labour violation under the terms established in the current applicable legislation.

6. ADVERTISING

Without prejudice to the obligation that employees have of knowing and acting in accordance with the provisions of the Internal Regulations in the performance of their duties, the due communication of this Policy and the existence of the Whistleblowing Channels will be promoted and ensured.

7. EFFECTIVE DATE

This Policy shall come into force from its approval by the Board of Directors of TELEFÓNICA, repealing and replacing the previously Policy applicable.

ANNEX: CATEGORIES OF COMMUNICATIONS WHISTLEBLOWING CHANNEL

Labour conflict	Mobbing / harassment	<p>Moral harassment at work, also known as “mobbing”, is any conduct, practice, or behaviour that, systematically and recurring over time, represents within the centre of the working relationship represents and undermining or offence against the dignity of the worker, trying to emotionally and psychologically submit him/her, and attempting to cancel his/her capacity, professional promotion, or permanence in the workplace, creating a hostile environment, and negatively affecting the working environment.</p> <p>Excluded from the concept of harassment at work are those temporary interpersonal conflicts located at a specific time that can occur within the framework of human relationships and that affect the work and development of the organization, but do not have as purpose the personal or professional destruction of the parties involved in the conflict.</p>
	Sexual harassment	<p>Any behaviour of an unwanted sexual nature and that can be perceived, or causing, offence or humiliation to a person. When said behaviour interferes with work or creates an intimidating, hostile, or offensive working environment. Although it generally involves a pattern of behaviour, it can also take the form of a single incident.</p> <p>“Sexual harassment” must be differentiated from “harassment because of gender” because the latter constitutes a type of discriminatory harassment regarding the Effective Equality Between Women and Men as “any behaviour carried out according to the gender of a person, or their gender identity, with the purpose or the effect of threatening his/her dignity and creating a threatening, degrading, or offensive environment”.</p>
	Discrimination	<p>Any unfair treatment or arbitrary differentiation based on the race of the person, gender, religion, nationality, ethnic origin, sexual orientation, disability, age, language, social origin, or any other social condition whatsoever. Discrimination can be an isolated occurrence that affects a person or group of people in a similar situation</p>
	Inappropriate behaviour and other conflicts in the workplace	<p>One-time or recurring behaviours of abuse of power both by department managers or heads of companies towards their subordinates, and abuse towards an employee that occurs among people who do not have a control or hierarchy relationship between each other, or if they had, said control or hierarchy relationship would not be relevant.</p>
Working Conditions	Working Conditions	<p>Errors in the remuneration process to employees (payment of salaries, overtime, bonus, etc.) which are not associated with issues of fraud. Furthermore also includes those situations that involve a labour risk for the worker (unhealthiness, risk of fire...)</p>
Information security/privacy	Information security/privacy	<p>Use of the information of the company, customers, employees, shareholders, or providers for one's own benefit or the benefit of third parties. Breach of processes that manage the confidentiality, integrity, and availability of information assets.</p>
Acts contrary to the integrity of the company	Conflicts of Interest	<p>Situations in which a personal or private benefit or interest influences the professional decisions adopted by an employee, being this personal interest or benefit able to conflict with the interests of any company of the Telefónica Group (henceforth, “the Company”). The conflict of interest can be due to relationship, participation in companies, or for any other reason whatsoever that the employee considers that limited or conditioned his/her objective decision-making capacity regarding third parties. For these purposes, relationship is understood to be: the spouse or person with analogous relationship of affection, the ancestors, descendants, and siblings of the employee or his/her spouse, as well as their spouses. Furthermore, an employee's decision-making capacity is considered conditioned when said employee, any of his/her relatives, or coordinated persons directly or indirectly attempt, or try to attempt, to exercise control, a significant influence, or an administration or management position in companies or entities involved in a potential conflict of interest.</p>
	Corruption of Public Officers	<p>Those behaviors carried out by Telefónica employees, or through third parties, against the integrity of the Company, consisting of promising, offering, paying, giving, or authorizing the delivery of gifts, invitations, or other types of incentives to a civil servant or public employee with the purpose of influencing or obtaining a benefit for the Company.</p>

Policy on Whistleblowing Channel Management

Board of Directors

	Acts contrary to integrity in the private scope	Those conducts carried out by Telefónica employees, or through third parties, against the integrity of the Company, consisting of: (a) either promising, offering, paying, giving, or authorizing the delivery of gifts, invitations, or other types of incentives to any natural or legal person, in the private scope, with which there is no personal or economic link, with the purpose of conditioning the conduct of the party receiving the incentive; (b) either receiving or accepting gifts, invitations, or other types of incentives from any natural or legal person in the private scope, with which there is no personal or economic link, with the purpose of obtaining an advantage or a reward.
Equity fraud	External Fraud	Intentional or deliberate action against the company in order to dispossess it of property or money through deception, scheme, or other unfair medium. In this case, employees of Telefónica ARE NOT involved, and neither are persons who act in their capacity as public officers.
	Internal Fraud	Intentional or deliberate action against the company in order to dispossess it of property or money through deception, scheme, or other unfair medium. In this case, employees of Telefónica ARE involved in the fraud, and in the event that there are external natural persons, these WILL NOT be persons who act in their capacity as public officers.
Favourable treatment	Favourable treatment	Act through which privileges, concessions, or benefits are granted to a third party or an employee of the Group with which there is no personal or economic link, or said link is unknown, giving the other party an advantage over others in such a way that eliminates the concept of equal terms. Favourable treatment situations not contrary to the integrity of the company and that are not linked to a Conflict of Interest, will be included in this category.
Financial reporting	Internal Control of the Financial Reporting	Accounting irregularities related to the internal control of the financial information or regarding audit issues
Legal / Regulatory / Contractual Non-compliance	Legal Non-compliance	Any other non-compliance with both national and international legal, legislative, and regulatory obligations not included in the previous categories. Two situations, in a non-exhaustive manner: - In the event that the non-compliance is related to "Public Officials Corruption" or "Acts Contrary to Integrity in the Private Scope", the category thus defined will be used.
	Regulatory Non-compliance	Any other intentional or unintentional non-compliances with the corporate or local internal regulations, not reflected in the previous sections. Non-exhaustively in the event that the non-compliance is related to the Conflict of Interest Regulations, the "Conflict of Interest" characteristics will be applied, if it is related to the Anti-corruption Policy, it will be classified in the corresponding "Public Officials Corruption" or "Acts Contrary to Integrity in the Private Scope" sections.
	Non-compliance with Customer Commitments	Non-compliance with the commitments contracted with customers in relation to the contracted services, billing, quality of products and services, etc. or bad practices contrary to the customer's interests.
Others	Others	Any other complaint that may not be assigned to any of the aforementioned characteristics. To the extent possible, this category will be used as little as possible.