



# **Conflicts of Interest Regulation**

Corporate Regulation

Approved by the Board of Directors of Telefónica S.A. at their meeting held as of 27 May 2015 and updated by the Board as of 24 April 2019.

Telefónica, S.A.

2nd Edition – April 2019

# Conflicts of Interest Corporate Regulation

## Compliance Office

<b>VERSION</b>	1	2			
<b>DATE</b>	MAY 2015	April 2019			

### SUMMARY OF MODIFICATIONS

<b>ITEM</b>	<b>MODIFICATIONS WITH RESPECT TO THE PREVIOUS VERSION</b>
Section 3	Review of some definitions in line with the evolution of trends in the matter, and the experience on the resolution of the cases of conflicts of interest from the entry into force of the Regulation
Section 6	Compliance Office competency for resolving raised cases
Section 7	Preparation of a non-exhaustive list of the most common situations of conflicts of interest
Section 8	Express recognition of the possibility for specific trainings and certifications regarding conflicts of interest
Section 10	Explicit recognition of the Internal Audit role in the verification of the different aspects of the Regulations

**CONTENTS**

1. Memorandum .....	4
2. Scope of application .....	4
3. Definitions .....	4
4. General Principles .....	5
5. Duty of abstention.....	6
6. Duty of notification .....	6
7. Situations of Conflicts of Interest.....	7
8. Communication, training, and certifications .....	8
9. Disciplinary Regime .....	8
10. Internal Audit .....	9
11. Effective date .....	9

## 1. Memorandum

This Regulation is approved within the framework of the general principle of integrity that inspires the Telefónica Group's Responsible Business Principles, in order to guarantee ethics, integrity, and transparency in the performance of the duties of all Telefónica Group employees (hereinafter, the “**Employees**”), and, ultimately, to prevent corruption.

The purpose of this Regulation is to prevent and/or, as the case may be, mitigate the situations of Conflict of Interest in which an Affected Subject (in the terms defined below) may be exposed to in the exercise of its position, starting, for this purpose, from the principles that must inspire the professional performance, defining the Conflict of Interest (real, potential, or apparent), establishing guidelines and procedures to be observed, and, finally, making available to Employees practical examples that can be used for orientation to prevent and/or identify potential conflicts of interest that may arise in their day-to-day activities.

## 2. Scope of application

Telefónica, S.A., in its role as parent company in the Group, is responsible for establishing the bases, instruments, and mechanisms necessary for an adequate and efficient coordination between this Company and the other companies which make up the Group, all of which without detracting from or undermining the autonomous decision-making capacity of each of these companies, in accordance with their own corporate interests and with the fiduciary duties owed by the members of their Boards of Directors to their shareholders.

This Regulation constitutes a minimum and must be observed by all Employees (hereinafter, the “**Affected Subjects**”) of any of the companies of the Telefónica Group (“**Company**” is understood to be Telefónica, S.A. and, individually, any of the companies of its consolidated group).

This Regulation must be applied in its entirety, without prejudice to what is stipulated in other internal regulations, such as the Internal Code of Conduct for matters related to the Securities Markets and the Regulations of the Board of Directors of Telefónica, S.A.

## 3. Definitions

“**Conflict of Interest**”: any situation in which a Personal Interest (as defined below), direct or indirect, of an Affected Subject influences (real conflict of interest), could influence (potential conflict of interest), or generates the perception of influencing (apparent conflict of interest), in the professional decisions to be adopted by the Affected Subject, with the possibility of his/her Personal Interest conflicting with the interests of any Telefónica Group company (hereinafter, the “**Company**”). Thus, the Conflict of Interest may arise from a family relationship, participation in companies, either in its capital or in its management

and/or administration bodies, or for any other reason that the Affected Subject considers that limits or conditions his/her objective decision-making capacity in the performance of his/her duties. Section 7 of these Regulation mentions certain situations of Conflict of Interest as examples.

**“Related Individuals”**: with respect to the Affected Subject, his/her spouse or person with an analogous relationship of affection, his/her descendants and their spouses or individuals with an analogous relationship of affection, his/her parents and their spouses or individuals with an analogous relationship of affection, the siblings of the Affected Subject, as well as the siblings of his/her spouse or person with an analogous relationship of affection; the concept of “Related Individuals” extends to any natural person that is significant in terms of personal (intimate bonds of friendship) and/or business relationships with the Affected Subject, participates in the ownership, control, and/or management/administration of an entity together with the said affected subject, that holds economic ownership of a legal entity that has been incorporated for the benefit of the Affected Subject, or in general, any other person closely linked to the Affected Subject through a labour or professional relationship.

**“Personal Interest”**: any type of interest or benefit (not merely financial or patrimonial), positive or negative, that is: a) of the Affected Subject, b) of his/her Related Individuals, c) of the people with which the Affected Subject has a pending litigation matter or a manifest enmity (hereinafter, **“Reverse Interest”**).

**“Effective Competition”**: for the purposes of the present Regulation, this is understood to be the dedication to the same, analogous or complementary social purpose of the Company, or specifically, of the employer company, or of the area to which the Affected Subject belongs.

#### 4. General Principles

The following are the general principles that must guide the actions of the Affected Subject in his/her professional performance and, furthermore, must govern any situation which may constitute a Conflict of Interest:

- **Loyalty**: to act at all times with probity and honesty with the Telefónica Group and its shareholders, in the best interest of the Company, regardless of his/her direct or indirect Personal Interest. The professional decisions of all Employees must be made ensuring the interest of the Telefónica Group, and must not be directly or indirectly influenced by his/her Personal Interest. Therefore, the Affected Subject must avoid incurring in those situations in which his/her Personal Interest could enter into conflict with the interests of the Company, always prevailing the Company’s interests.
- **Confidentiality**: to keep confidential information secret, and to maintain the information, data, reports, or background information which is accessed due

to his/her duties within the Telefónica Group reserved, not being authorized to communicate them to third parties.

- **Integrity:** to act with honesty and respect for the most demanding ethical business standards, always promoting the interests of the Company over his/her own interests.

## 5. Duty of abstention

The Affected Subjects must refrain from intervening or influencing in the decision-making in those matters in which a Conflict of Interest may arise.

The following are situations, among others, from which Affected Subjects must refrain:

- (a) Performing transactions with the Company when there is a situation that constitutes a Conflict of Interest, except for those transactions made under standard market conditions regarding products and services for customers and Employees.
- (b) Using the name of the Company, or invoking his/her status as Employee, in order to improperly influence the execution of private transactions.
- (c) Making use of the assets of the Company for private purposes.
- (d) Taking advantage of the business opportunities offered to the Company for his/her own benefit.
- (e) Obtaining advantages from third parties, such as providers or competitors, unless such attentions are allowed according to the applicable Anti-Corruption Policy.

## 6. Duty of notification

Notwithstanding the obligation of all Affected Subjects to avoid any situation which could constitute a Conflict of Interest, as soon as the risk of it occurring exists, the Affected subject must report it through the Conflicts of Interest Tool enabled for such purposes and accessible through the Intranet (hereinafter, the “**Conflicts of Interest Tool**”), or by any other means containing the traceability of its reporting, its immediate superior, and the Compliance Office. For clarification purposes, in the event of communicating and/or reporting a situation of potential third-party Conflict of Interest, Employees must use the corresponding whistleblowing and/or reporting channels which are also available for such purpose.

Employees must take into account this obligation of notification at all times and, specifically, in the event of organizational changes in the company that affect their area or

directorate, or when the circumstances that gave rise to a previously declared Conflict of Interest occur once again.

Furthermore, those individuals being selected for an employment vacancy in the Company must raise awareness the Company, through the People Area, of any situation that may constitute a Conflict of Interest which may arise during the contracting process and, as the case may be, in the exercise of the duties that the new proposed hire would carry out.

The Compliance Office will be responsible for assessing the situation of potential Conflict of Interest declared by the Affected Subject, using the opinion of the immediate superior and, as the case may be, of the People Area, as well as any other areas that in the opinion of the Compliance Office are considered relevant for the purposes of the analysis. In that evaluation process, the Compliance Office and the other intervening areas must observe the following guidelines:

- To treat the information in a confidential manner and in compliance with any applicable legal regulations regarding the protection of personal data.
- To assess the declared situation with objectivity, impartiality, and independence.
- To guide the decision towards resolving the situation constituting a Conflict of Interest or, failing that, to eliminate or minimize the risk arising from the presence of said conflict of interest for the Company (in cases of real Conflicts of Interest), its probability (in cases of potential Conflicts of Interest), or the perception that third parties may have regarding it (in cases of apparent Conflicts of Interest).
- To inform the Employee, as the case may be, through the Conflicts of Interest Tool, the decision adopted in relation to the declared situation, and to document it.

This Regulation may be subject to specific developments for certain situations of possible Conflicts of Interest in order to provide criteria which, in relation to said conflicts of interest, may better guide the assessment that must be made.

## **7. Situations of Conflict of Interest**

Situations of Conflicts of Interest include, but are not limited to, situations arising from, for example:

- 1) With respect to companies that may be in a situation of Effective Competition, the participation, either in the capital and/or in the administration and/or management bodies, both by the Affected Subject (excluding cases of participation in administration and/or management bodies of companies on

behalf of the Company), and by their Related Individuals; the acquisition of non-significant shareholdings in listed companies is excluded in both cases;

- 2) The participation of a Related Individual (or person subject to Reverse Interest) with respect to the Affected Subject in a recruiting process by the Company, in which the Affected Subject directly or indirectly can be able to have an opinion or decision; as well as the contracting, either under commercial or labour arrangements, or regarding the holding of business relationships by the Company, with natural or legal persons that are considered to be Related Individuals (or individuals subject to Reverse Interest) with respect to the Affected Subject;
- 3) The investment, either in stock or through any other financial instruments, by the Affected Subject and/or his/her Related Individuals, in companies where the Affected Subject has had knowledge of, and access to, confidential information on the occasion of the exercise of his/her duties in the Company;
- 4) Participation in any type of businesses, provision of services or activities of any kind different from those of the Company, but whose origin is in some way related to the position and/or duties of the Affected Subject in the Company, being such participation personal and not on behalf or in representation of the Company;
- 5) The organic and/or functional dependency in which a Related Individual (or person subject to Reverse Interest) may incur with respect to an Affected Subject, arising from a corporate reorganization of the Company, in such a way that the evaluation or supervision of the work or performance of the Related Individual (or person subject to Reverse Interest) is conditioned;

## **8. Communication, training, and certifications**

Without prejudice to the obligation that all Employees have to know and act in accordance with what is established in the Internal Regulations of Telefónica in the performance of their duties, the Compliance Office may promote communication and training sessions related to this Regulation. Furthermore, the Senior Management, as a reference of the Company's commitment with integrity, will promote the knowledge, awareness and compliance with this Regulation within their scope of responsibility.

Inasmuch as it may be necessary, the obtention of specific certifications may exceptionally be promoted, by virtue of which certain managers and/or other Employees declare the situations of Conflict of Interest that may be applicable to them.

## **9. Disciplinary Regime**

Each and every Employee is responsible for complying with the content of the present Regulation and, more specifically, with the obligation to declare such situations that may constitute a Conflict of Interest.



Those behaviours contrary to what is established in the present Regulation will be considered a labour violation, that may be sanctioned with the corresponding disciplinary measures, including the termination of the employment contract, in accordance with what is established by the internal regulations and, specifically, in the Corporate Policy regarding the Comprehensive Discipline Program, as well as the applicable legal and regulatory provisions.

#### **10. Internal Audit**

The Internal Audit Department may perform as many audits and verifications it considers appropriate in order to verify the correct application of the aspects contained in the present Regulation, including the access to the Conflicts of Interest Tool, and to any information tools regarding conflicts of interest, reported conflicts of interest and assessments, actions, or any other information about such elements.

#### **11. Effective date**

The present Regulation will enter into force after its approval by the Board of Directors of Telefónica, S.A., replacing the previously existing versions.