

Anticorruption Policy

Corporate Policy

Approved by the Board of Directors of Telefónica, S.A.
at its meeting of December 16, 2015

Telefónica, S.A.
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1. EXPLANATORY STATEMENT

This Anticorruption Policy (hereinafter the “**Policy**”) primarily addresses compliance with anticorruption legal requirements, as well as develops, among others, the general principle of integrity set forth in the Business Principles of the Telefónica Group, which comprises of Telefónica, S.A. and all companies controlled directly or indirectly by Telefónica, S.A. (hereinafter, each of Telefónica, S.A. and the companies, the “**Company**”), as a fundamental norm that demonstrates our commitment to act consistent with the strictest ethical principles, conveying the importance of business integrity to all directors, executives and employees of the Company. These Business Principles drive the Company to assume a public commitment to responsible management that goes beyond legal compliance, as well as to promote and ensure respect for the values contained therein among its directors, executives and employees, and business partners. This Policy builds on and reinforces the provisions of the previous Regulations for Gifts, Invitations and Representation Expenses, which it hereby repeals.

Consistent with the main international benchmarks on anticorruption and corporate responsibility—such as the recommendations of the OECD, the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, or the penal reforms in Spain and other countries—and in accordance with the aforementioned Business Principles, it is important for the Company to ensure that certain conduct that would threaten its business integrity—such as offering or accepting gifts, invitations, or other types of incentives that could reward or influence a business decision, or create potential conflicts of interest that could put personal priorities ahead of collective ones—are not permitted within the Company, thus fostering a culture where all of its employees behave honestly, without ever seeking an illegitimate benefit for the Company, themselves or third parties by improperly using their positions or contacts.

This Policy establishes guidelines with respect to accepting or offering gifts or invitations and forbids any kind of bribery. Promising, offering, or giving any benefit or advantage of any kind, either directly or indirectly (through a third party), in order to influence decisions of any kind (including governmental, administrative, or legal decisions) or to obtain undue advantages for the Company, is strictly prohibited. Accepting any benefits or advantages that may result in a breach of the obligations and duties of the Company’s directors, executives and employees is likewise prohibited.

2. SCOPE OF APPLICATION AND INTERPRETATION

This Policy establishes the minimum requirements that apply to all directors, executives and employees of the Company, in any of the territories in which it is present, as well as to those third parties that broker, collaborate, or participate in business deals on behalf of the Company. Telefónica, S.A. is responsible for developing and establishing any and all instruments, and mechanisms necessary for an adequate and efficient coordination between Telefónica, S.A. and all of the other companies that make up the Telefónica Group, without prejudice to each of these companies’ capacities to make autonomous decisions, in accordance with their own corporate interests and the fiduciary duties that the members of their executive boards maintain towards their respective shareholders.

3. DEFINITIONS

Object of Value: Broadly defined as anything of value, tangible or intangible, in any form, including but not limited to: cash, cash equivalents (such as gift cards and product discounts), loans, gifts, invitations, goods, services, jobs for family members, trips, lodging, entertainment, meals, reimbursement of expenses, favors, business or employment opportunities, compliance with a request to deliver something

of value to a third party, contributions to charities or other nonprofit organizations, and promotional sponsorships.

Public Official/Employee: Refers to: (i) any public or elected official, officer, agent, employee (regardless of rank), or person acting on behalf of a national, provincial, or local government, department, agency, instrumentality, state-owned or state-controlled company, public international organization, political party, or entity that is financed in large measure through public appropriations, is widely perceived to be performing government functions, or has its key officers and directors appointed by a government; and (ii) any political party, candidate for political office, or any person acting on behalf of such party or candidate for political office. Examples include: issuers of government permits, approvals, or licenses (whether international, national, regional, municipal, etc.); airport authorities; employees and executives of state-owned companies; customs, immigration or tax agents; or ministers or representatives of national or foreign governments.

Business Partner: Third parties acting for or on behalf of the Company, or any entity owned or controlled by the Company that can interact with outside parties, especially when they are Public Officials/Employees; or any alliance in which the Company has economic interests, involving, among others, by way of example: agents, brokers, intermediaries, advisors, consultants, representatives, joint venture partners, co-investors, franchisees, authorized suppliers, travel agencies, authorized carriers or customs agents, lawyers or lobbyists acting for or on behalf of the Company.

4. GIFTS AND INVITATIONS

4.1 General prohibitions

4.1.1. It is prohibited to offer, promise, pay, give, or authorize the delivery of any Object of Value, either directly or indirectly (through a third party), to:

- any Public Official/Employee, or
- any person or legal entity (public or private) for the purpose of improperly influencing the decision of a Public Official/Employee,

to obtain or retain business or any other advantage. This prohibition applies regardless of whether the payment is to facilitate, accelerate, or speed up a process.

4.1.2. It is prohibited to offer, promise, pay, give, authorize the delivery to third parties, or accept Objects of Value of such significance that they may illicitly condition the behavior of the person receiving the Object of Value.

4.1.3. No director, executive or employee may benefit, in private purchases from Business Partners or suppliers, from discounts or favorable terms that exceed the terms that are generally applicable to the employees of the corresponding company of the Telefónica Group.

4.1.4. It is prohibited to offer, promise, pay, give, or authorize the delivery of any Object of Value to third parties, knowing that there is a high likelihood that the third parties will in turn offer, promise, or provide any of the advantages prohibited in this section 4.1.

It is expressly prohibited to use one's own funds or those of third parties to circumvent the objectives of this Policy.

4.2 Acceptable practices

Gifts and business entertainment must never be offered or accepted for illicit purposes, and must at all times be:

- Consistent with the laws and regulations, both of the country of the person who extends the invitation as well as of the country of the person receiving it.
- Given or accepted without the expectation of reciprocity: the intent or purpose of the gift or invitation must be simply to build the business relationship within the normal standards of courtesy, and not to influence the person in charge of a particular business decision.
- Socially acceptable: other people (such as peers, competitors, or the press) would agree that the gift or invitation is reasonable, and that it can be discussed without fear of possible social reproach.
- Consistent with the interests of the Company's business, as well as with usual business practices.
- Occasional and not excessive, according to local or industry standards.
- Accurately and appropriately documented with reasonable detail.

It must be kept in mind that the Company's clients or suppliers may have their own internal regulations on this matter, and that it is possible that they are not the same as the standards established in this Policy. Consequently, this circumstance must be considered when offering gifts or business entertainment to directors, executives and employees of those companies, so as to avoid compromising them or their companies.

Acceptance by directors, executives and employees of the Company, within usual company business practices, of invitations to promotional or business events, where the organizing entity or company (other than any company of the Telefónica Group) assumes reasonable transportation, lodging, and/or meal expenses, will not be considered improper, provided that the purpose of said invitation is exclusively to present said organizing company's or entity's products or services, and that the invitation is not individual, but rather addressed to a group of clients or potential clients.

It is likewise acceptable for the companies of the Telefónica Group, within usual company business practices, to assume expenses directly related to promotional events or demonstrations of products or services and, specifically, to invite third parties and assume the corresponding reasonable transportation, lodging, and/or meal expenses, provided that their objective is not to obtain any of the advantages prohibited in section 4.1 *supra*.

Likewise, the companies of the Telefónica Group may assume reasonable expenses directly related to educational events or training forums, including transportation, lodging, and/or meal expenses, provided that their objective is not to obtain any of the advantages prohibited in section 4.1 *supra*.

5. ACCOUNTING RECORDS

The Company requires that a system of adequate internal accounting controls be maintained and that all transactions be properly and accurately reported and reflected with reasonable detail in the Company books and records. Our books must not contain false or misleading statements or entries, such as recording a gift or entertainment expense as something different. Transactions must never be intentionally wrongly recorded as to accounts, departments, or accounting period. Accurate, appropriate, and reasonably detailed documentation must be kept to support all transactions, and documents shall be preserved in accordance with the Company's document, information and management policies.

6. BUSINESS PARTNERS

The Company has established various mandatory rules regarding relationships with suppliers and other Business Partners.

The Company will not contract or engage in business with a Business Partner if it believes that there is a risk that this Business Partner will violate applicable anticorruption laws or any of the prohibitions set forth in this Policy. Prior to starting a business relationship with any Business Partner that will interact on behalf of the Company, especially when interacting with Public Officials/Employees, the Purchasing department (in the case of negotiations within its ambit), or the relevant operating area (for contracts not managed by Purchasing), must perform an appropriate assessment of the Business Partner to this effect, and will ensure that: (a) the contract with the Business Partner contains anticorruption representations and warranties, as well as a termination right in the event of noncompliance with these representations and warranties; (b) the Business Partner certifies compliance with anticorruption laws; and (c) the Company maintains records related to the engagement, certification, and assessment as to the Business Partner.

7. COOPERATION OF DIRECTORS, EXECUTIVES AND EMPLOYEES, TRAINING AND CERTIFICATIONS

Cooperation of directors, employees and executives: compliance with this Policy is mandatory for all directors, executives and employees of the Company, who must provide full and honest cooperation as may be required from them in this regard.

Training: depending on their responsibilities, the Company may request the attendance of directors, executives and employees to training related to this Policy.

Certifications: the Company's directors and executives, who are responsible for establishing adequate controls and procedures to ensure compliance with this Policy, must certify every year (or, at any rate, before terminating their activities within the Company or when so required by the Company) compliance with what is set forth in this Policy, within their scope of responsibility, on the form attached here as Annex 1.

8. DISCIPLINARY MEASURES

All directors, executives and employees are responsible for strict compliance with the provisions established herein, and directors and executives are responsible for explaining and publicizing this Policy among employees in their groups and monitoring their compliance.

Supervisory mechanisms will be implemented to verify that the Policy is being applied. If possible violations are detected, an appropriate investigation will be conducted. Regular audits will be performed and annual reports on the results will be provided to the relevant Audit Commission.

Any violation of this Policy shall be considered an infraction subject to disciplinary action to be determined by the Department of Human Resources, after having performed the appropriate analysis and in accordance with the applicable labor regime. Any form of corruption will be considered a grave offense.

9. CONSULTATION AND REPORTING

Directors, executives and employees should consult the Business Principles Office with any questions related to the implementation, application, or interpretation of this Policy. Any person who becomes aware of any violations or suspected violations of this Policy is expected to report it to the Company through the Business Principles Channel or by other means provided by the Company. The Company appreciates such cooperation and, in accordance with its policies, prohibits any retaliation against any person who makes a report in good faith.

10. EFFECTIVE DATE

This Policy shall be effective as of the date of approval by the Board of Directors of Telefónica, S.A.

ANNEX 1. Certification Form

**Telefonica
Code of Ethics – Our Business Principles
and
Anticorruption Policy**

This is to acknowledge that I have received, read, and understand Telefonica's Code of Ethics – Our Business Principles ("Code") and Anticorruption Policy (the "Policy"). I understand that I am required to comply with the policies, practices, and standards established in the Code and Policy and I commit to conduct myself in accordance with them. I confirm that in the past twelve months I have not violated, nor am I aware of any violation of what is set forth in the Code and Policy within my scope of responsibility, except for any suspected instances of noncompliance already reported to the Business Principles Office, to whom this certification is being sent.

Signature: _____ Date: _____

Name and Job Title: _____

Contact details (phone, email): _____