

TELEFÓNICA DE ESPAÑA, S.A.U.

For the purpose of implementing the third additional provision of the current Law on Account Auditing, it is stated that Telefónica de España S.A., a single shareholder company, (hereinafter the Company) which belongs to the Telefónica Group, whose parent company, as defined by law, is Telefónica, S.A.

Telefónica S.A. has an Audit and Control Committee, whose members are external or non-executive advisers. The majority of them are at least independent advisers. In accordance with the provisions of the Regulations of Telefónica S.A.'s Board of Directors, as a whole, the members of the Committee have relevant technical knowledge in relation to the activity sector which Telefónica, S.A. belongs to, which is the same as the Company itself.

The company's administrative body (which is not made up of a Board of Directors, nor does it have independent Administrators) considers that the assumption of the functions of the Company's Audit Committee on behalf of Telefónica's Audit and Control Committee, defined in paragraph 3.d) of the third additional provision of Law 22/2015, of 20 July, on Account Auditing, constitutes an ideal formula which ensures that these functions are exercised in a rigorous and effective way by a highly qualified technical body, preventing therefore the duplication of organisational structures and reinforcing the independence of the supervisory work entrusted to the Committee by law.

In particular, this option facilitates the proper coordination in matters within their power, such as monitoring the effectiveness of the internal control of the Company, internal audit and risk management systems, the process of preparation and presentation of financial information and the selection of the account auditor for the Company. Therefore, this ensures that group-wide synergies characteristic to the work of the group as a whole are obtained, and guarantees that the criteria applied within the power of the Committee are uniform and homogeneous. On the other hand, the organisational separation significantly reinforces the independence of the Committee, as a supervisory body, in relation to the Board of Directors and the rest of the Company's management team.

On the contrary, the assumption of the functions which the law attributes to the Audit Committee on behalf of the Company's own committee or by its administrative body, would imply increased administrative complexity, an increase of costs and the eventual loss of the previously mentioned advantages. Notwithstanding the reasons mentioned involving the corporate and organisational nature, the assumption of functions by Telefonica, S.A.'s own Audit and Control Committee does not imply any reduction of functions entrusted by law to this type of Committee. On the contrary, and especially with regards to the analysis of the auditors' independence, the assumption of these functions by the said Committee will provide an additional guarantee for the solvency of the Group's actions with the advantages that the centralisation of information will generate to improve in the detection and evaluation of possible threats to the independence of the auditors.