

Within the limits of the legislation in effect, the Board of Directors has expressly delegated all of its powers and attributes, except for those that may not be delegated by law or under the Company Articles of Association, to the Executive Committee, which has general decision-making powers.

The relationship between the Board of Directors and the Executive Committee is based on the principle of transparency, so that the Board is always aware of the decisions made by the Committee. Thus, the Board of Directors is informed at each of its meetings of all the resolutions adopted by the Executive Committee. To this effect, a summary of the Minutes of the Committee sessions is distributed to all the members of the Board; the Board then ratifies the aforementioned resolutions.

**B.2.7. Indicate whether the composition of the executive committee reflects the participation within the Board of the different types of Directors:**

YES  NO

If not, describe the composition of the Executive Committee

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**B.2.8. If there is a nominating committee, indicate whether all its members are external Directors:**

YES  NO

### C. ASSOCIATED TRANSACTIONS

**C.1. List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:**

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Type of transaction	Nature of the relationship	Value (thousand euros)
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica S.A.	Contractual	Loans and other Financing Transactions	1,133,426
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica Finanzas, S.A.	Contractual	Loans and other Financing Transactions	33,056
Banco Bilbao Vizcaya Argentaria, S.A.	Fisatel México, S.A DE C.V.	Contractual	Loans and other Financing Transactions	26,088
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica Internacional S.A.	Contractual	Loans and other Financing Transactions	56,286
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica del Perú S.A.A.	Contractual	Loans and other Financing Transactions	38,139
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica CTC Chile S.A.	Contractual	Loans and other Financing Transactions	33,038

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Type of transaction	Nature of the relationship	Value (thousand euros)
Banco Bilbao Vizcaya Argentaria, S.A.	Pegaso PCS, S.A.	Contractual	Loans and other Financing Transactions	14,610
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica Publicidad e Información S.A.	Contractual	Loans and other Financing Transactions	36,061
Caja de Ahorros y Pensiones de Barcelona, La Caixa	Telefónica S.A.	Contractual	Loans and other Financing Transactions	1,210,766
Caja de Ahorros y Pensiones Barcelona, La Caixa	Telefónica Finanzas, S.A.	Contractual	Loans and other Financing Transactions	12,000
Caja de Ahorros y Pensiones Barcelona, La Caixa	Telefónica Factoring Establecimiento Financiero de Crédito, S.A.	Contractual	Loans and other Financing Transactions	78,030
Caja de Ahorros y Pensiones Barcelona, La Caixa	Telefónica Internacional S.A.	Contractual	Loans and other Financing Transactions	56,286
Banco Bilbao Vizcaya Argentaria, S.A.	Celular CRT, S.A.	Contractual	Guarantees, Securities and Bonds	22,253
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica Data México, S.A. de C.V.	Commercial	Provision of telecommunications Services	
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica Data México, S.A. de C.V.	Commercial	Provision of telecommunications Services	
Banco Bilbao Vizcaya Argentaria, S.A.	Procesos Operativos S.A.	Commercial	Provision of telecommunications Services	
Banco Bilbao Vizcaya Argentaria, S.A.	Atento Mexicana, S.A de C.V	Commercial	Provision of Telemarketing Services	
Caja de Ahorros y Pensiones Barcelona, La Caixa	Telefónica de España, S.A	Commercial	Provision of telecommunications Services	
Banco Bilbao Vizcaya Argentaria, S.A.	Telefónica de España, S.A	Commercial	Provision of Telemarketing Services	

**C.2. List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the company's managers or Directors:**

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Type of transaction	Nature of the relationship	Value (thousand euros)
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C.3. List any relevant transaction undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the company's habitual trading:

Corporate name of the group company	Brief description of the transaction	Value (thousand euros)

C.4. Identify any conflicts of interest affecting company Directors pursuant to Article 127 of the Corporations Law.

The Board of Directors has not been informed of any conflicts of interest to the effects set out in Article 127 of the Corporations Law.

C.5. List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its Directors, management or significant shareholders.

The Company policy has established the following principles governing possible conflicts of interest that may affect Directors, Management or Significant Company Shareholders:

– With respect to the Company Directors, Article 36 of the Regulations of the Board of Directors establishes that Directors shall inform the Board of Directors of any situation of direct or indirect conflict they may have with the Company's interest. In the event of conflict, the affected Director shall abstain from intervening in the deliberation to which the conflict refers.

Moreover, and in accordance with the provisions set out in the Regulations of the Board, Directors shall abstain from participating in voting that affects matters in which they or persons related to them have a direct or indirect interest.

Likewise, the aforementioned Regulations establish that Directors shall not undertake professional or commercial operations or transactions with the Company, or with any of the companies in its Group, when such transactions are unrelated to the ordinary business of the Company or not performed under market conditions, unless the Board of Directors is informed of the said transaction in advance and, after prior favourable report from the Nominating, Compensation and Corporate Governance Committee, approves them with the favourable vote of at least 90% of the Directors present or represented at the relevant meeting.

– With regards to significant shareholders, Article 41 of the Regulations of the Board of Directors establishes that the Board of Directors formally reserves knowledge and authorisation of any transaction between the Company and any of its significant shareholders.

Under no circumstances shall the Board of Directors authorise the transaction without prior report issued by the Nominating, Compensation and Corporate Governance Committee appraising the transaction from the point of view of the principle of parity treatment of shareholders and the market conditions of the same. For ordinary transactions, a generic authorisation for the type of transaction and its general conditions shall be sufficient.

– With respect to Management, the Internal Code of Conduct for Securities Markets Issues sets out the general principles of conduct for the persons subject to the said regulations who are involved in a conflict of interest. The aforementioned Code includes all the Company Management Personnel within the concept of affected persons.

In accordance with the provisions of this Code, Management Personnel are obliged to (a) act at all times with loyalty to the Group and its shareholders, regardless of their own or other interests; (b) abstain from intervening or influencing decision-making that may affect the persons or companies with which the conflict of interest exists; and (c) abstain from accessing information deemed confidential related to such conflict. Furthermore, these persons are obliged to inform the Company Regulatory Compliance Unit of all transactions that may potentially give rise to conflicts of interest.

## D. RISK CONTROL SYSTEMS

D.1. Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks hedged by the system, as well as an explanation of how far these systems match the profile of each type of risk.

Telefónica continually monitors the most significant risks in the main companies comprising its Group. To do so, the Company Model is applied regularly and equally in all the Group companies, which provides an evaluation of the importance of each of the risks that may affect the companies, as well as the degree of control over the same. Thus, the Group has a map that identifies the risks that require specific control and monitoring according to their importance. Likewise, the model matrix includes the operational processes in which each of the risks considered is managed, in order to evaluate the control systems established and to be reasonably sure that such risks will not arise.

Identification of these risks and processes is undertaken by the Directorate General of Internal Audit and Management Resources, which is responsible for internal Group audits, and regularly informs the Audit and Control Committee of Telefónica of the results of its work.

The 50 risks considered by the model are classified in the following categories:

### I. Risks related to business processes.

- Operational risks
- Integrity risks
- Management and human resources risks
- Technological risks
- Financial risks