

***ANNUAL REPORT OF THE AUDIT AND
CONTROL COMMITTEE OF TELEFÓNICA, S.A.
ON THE INDEPENDENCE OF THE EXTERNAL
AUDITOR***

**ANNUAL REPORT OF THE AUDIT AND CONTROL COMMITTEE
OF TELEFÓNICA, S.A. ON THE INDEPENDENCE OF THE EXTERNAL
AUDITOR
(PricewaterhouseCoopers Auditores, S.L.)**

Pursuant to the provisions of section 529 *quaterdecies.4.e)* of the restated text of the Companies Act (*Ley de Sociedades de Capital*) (TRLSC) approved by Royal Legislative Decree 1/2010 of July 2 (as amended by the fourth final provision of Law 22/2015 of July 20 on Auditing of Accounts (*Ley de Auditoría de Cuentas*) (Statutory Audit Act)), the Audit and Control Committee of Telefónica, S.A. issues this report on the matters established in such legal provisions, all on the following terms:

- 1.- Considering the conclusion set out in the letter issued by PricewaterhouseCoopers Auditores, S.L., dated February 18, 2020, “(...) *in our professional opinion and in relation to such audit, no circumstances have been identified that individually or as a whole might entail a significant threat to our independence and that would therefore require the application of protective measures or that might be grounds for disqualification.*(...)” and in compliance with said provision, the Audit and Control Committee of Telefónica, S.A. finds that PricewaterhouseCoopers Auditores, S.L., the auditor of such Company, is independent with respect to the Company and companies directly and indirectly connected thereto in accordance with applicable legal provisions governing the auditing of accounts in Spain.

- 2.- Furthermore, in compliance with the provisions of the internal Regulations, the Statutory Audit Act, Regulation (EU) no 537/2014 of 16 April and the Sarbanes-Oxley Act published in the United States and rules in implementation thereof, the engagement of all services provided by PricewaterhouseCoopers Auditores, S.L. and other firms of its international network to the Company and its directly and indirectly connected companies during the period covered by the annual financial statements has been submitted for the approval of the Audit and Control Committee.

Specifically, in addition to audit services, the provision of non-audit services has been approved as described below:

	<u>Thousands of euros</u>
• Issuance of Comfort Letters regarding financial information relating to issuances of debt	375,700
• Reports on Corporate Social Responsibility (including the report on verification of the Statement of Non-Financial Information of Telefónica, S.A.) (*)	292,051
• Certificates of external auditor based on the new European regulation on payment services	199,470
• Report on the Results of the Cost Accounting System under the Standard of Historical Costs/Current Costs and regarding certain specific aspects of calculating the Net Cost of the Universal Service	167,320
• Special review report on the financial position and solvency of insurance entities	45,004
• Report on the Income Statement to determine the annual contribution for the fiscal year pursuant to the provisions of the General Audiovisual Communication Act and Royal Decree 988/2015 of October 30	24,204
• Reports on agreed-upon procedures not required by regulatory agencies	17,467
• Reports on agreed-upon procedures in relation to special accounting information requested by regulatory agencies	9,705
• Report of the auditor regarding ICFR information	8,268
Total of audit-related services	1,139,189

(*) Does not include 46,000 euros approved by this Committee for services to review the annual report of Fundación Telefónica and verification of the scorecard indicators (including Profuturo), since such services do not involve companies that are directly or indirectly connected.

In conclusion, this Committee finds that the independence of the company's Auditor is not compromised by either the engagement or the fees received for such non-audit services and because it is not aware of additional circumstances that might threaten the objectivity or impartiality of such Auditor.

And in witness whereof, for the legal effects established in such provision, this Report is issued in Madrid, on February 18, 2020.

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