

***REPORT ON THE OPERATION OF THE
AUDIT AND CONTROL COMMITTEE OF THE
BOARD OF DIRECTORS OF TELEFÓNICA, S.A.,
FISCAL YEAR 2018***



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***REPORT ON THE OPERATION OF THE AUDIT AND
CONTROL COMMITTEE
OF THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A.***

I. INTRODUCTION.

This Report on the Operation of the Committee for fiscal year 2018 has been prepared pursuant to the provisions of Recommendation 6 of the Good Governance Code of Listed Companies, of Section 79 of Technical Guide 3/2017 of the National Securities Market Commission (*Comisión Nacional de Mercados de Valores*, or CNMV) on Audit Committees at Public-Interest Entities, and of Article 9 of the Regulations of the Audit and Control Committee of Telefónica, S.A. (hereinafter, the Company).

II. REGULATION OF THE COMMITTEE.

The Audit and Control Committee was created by a resolution adopted by the Board of Directors of the Company at its meeting held on January 29, 1997, the duties, powers and activities of which have since then been extensively developed pursuant to legal requirements and both domestic and international corporate governance recommendations (with particular reference to the legal reforms made to the Spanish Companies Act (*Ley de Sociedades de Capital*) by Law 31/2014, of December 3, amending the Companies Act to improve corporate governance; to the Good Governance Code published by the CNMV in February 2015; to Technical Guide 3/2017 of the CNMV on Audit Committees at Public-Interest Entities; to the Sarbanes-Oxley Act; and to the regulations of the New York Stock Exchange (NYSE)).

The Audit and Control Committee of Telefónica, S.A. is regulated by Article 39 of the Company's By-Laws and by Article 22 of the Regulations of the Board of Directors.

Additionally, and in order to comply with the recommendations of Technical Guide 3/2017 of the CNMV on Audit Committees at Public-Interest Entities, upon a proposal from the Audit and Control Committee, the Board of Directors approved the Regulations of the Audit and Control Committee of Telefónica, S.A. at its meeting held on December 13, 2017.

All the aforementioned internal regulations of Telefónica, S.A. (By-Laws, Regulations of the Board of Directors and Regulations of the Audit and Control Committee) are available to the public on the Company's corporate website (<https://www.telefonica.com/es/web/shareholders-investors>).



III. COMPOSITION OF THE COMMITTEE.

As regards its composition and pursuant to the provisions of Article 39 of the Company's By-Laws, Article 22 of the Regulations of the Board of Directors, and Articles 1 and 2 of the Regulations of the Audit and Control Committee, the Committee will consist of the number of Directors that the Board of Directors determines from time to time, which shall in no case be less than three, to be appointed by the Board of Directors. All members thereof must be External or Non-Executive Directors, and at least a majority of them must be Independent Directors.

The Chairman of the Audit and Control Committee, who shall in all events be an Independent Director, shall be appointed from among its Members and shall be replaced every four years; he may be re-elected after the passage of one year from the date when he ceased to hold office.

The Members of the Audit and Control Committee must have experience and expertise in management, economics, finance and business, as required of any Director. The Board of Directors shall also endeavor to ensure that the Members of the Committee, taken as a whole, combine the necessary expertise not only in accounting and auditing but also in finance, internal control, risk management and the business.

All of the aforementioned standards as to the composition, expertise and training of the Audit and Control Committee are intended to secure the utmost independence for the Committee.

Additionally, in accordance with the provisions of Securities Exchange Act Rule 10A-3 of the Securities and Exchange Commission (SEC) and Section 303A of the New York Stock Exchange (NYSE) Listed Company Manual, respectively, in 2017 the NYSE was informed of the composition of the Audit and Control Committee, as well as of the status of its Members (expressly stating their expertise and experience in the area of accounting and auditing), with the conclusion that they all satisfy the independence requirements established in the aforementioned Rule 10A 3.

The composition of the Audit and Control Committee as of December 31, 2018 was as follows (with no change through the date of issuance of this Report):



Director	Position	Category	Date of appointment	Experience in accounting/ financial/business/ auditing/risk/ internal control management
Mr. José Javier Echenique Landiribar	Chairman	Independent	04-08-2016	✓
Ms. Carmen García de Andrés	Member	Independent	05-04-2017	✓
Mr. Ignacio Moreno Martínez	Member	Proprietary	05-31-2013	✓
Mr. Francisco Javier de Paz Mancho	Member	Independent	04-27-2016	✓

The professional profiles of the Members comprising the Audit and Control Committee are available to the public on the corporate website of Telefónica, S.A.

https://www.telefonica.com/en/web/shareholders-investors/corporate_governance/comconsejo

The Secretary of the Audit and Control Committee is Mr. Pablo de Carvajal González, General Counsel and Global Director of Regulatory Affairs of Telefónica, S.A.

IV. DUTIES AND TASKS OF THE COMMITTEE.

The responsibilities and duties assigned to the Audit and Control Committee are set out in Article 39 of the Company's By-Laws and described in greater detail in Article 22 of the Regulations of the Board of Directors and in Article 4 of the Regulations of the Audit and Control Committee.

Without prejudice to any other tasks that the Board of Directors may assign thereto, the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties. Specifically, it shall have at least the following powers and duties:

- 1) To report to the shareholders at the General Shareholders' Meeting on matters raised at the Meeting and within the purview of the Committee, and particularly regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the function performed by the Committee in such process.
- 2) To submit to the Board of Directors proposals for the selection, appointment, re-election or replacement of the statutory auditor, taking responsibility for the selection process in accordance with the provisions of law, as well as the terms for the hiring thereof, and to regularly obtain information from the auditor regarding the audit plan and the



implementation thereof, in addition to preserving the independence thereof in the performance of its duties.

- 3) To supervise internal audit and, in particular:
 - a) to ensure the independence and efficiency of the internal audit function;
 - b) to propose the selection, appointment and removal of the person responsible for the internal audit service;
 - c) to propose the budget for such service;
 - d) to review the internal audit annual work plan and its annual activities report;
 - e) to receive periodic information on its activities; and
 - f) to verify that the senior executive officers take into account the conclusions and recommendations of its reports.
- 4) To supervise the process of preparing and submitting mandatory financial information and submit recommendations or proposals to the board of directors intended to safeguard the integrity thereof. With respect thereto, it shall be responsible for supervising the process of preparation and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper determination of the scope of consolidation and the correct application of accounting standards, informing the Board of Directors thereof.
- 5) To supervise the effectiveness of the Company's internal control system, internal audit and systems for the management of risk, including tax risks, and to discuss with the Statutory Auditor significant weaknesses detected in the internal control system during the audit, all without infringing the independence thereof. In such cases, and if applicable, it may submit recommendations or proposals to the Board of Directors and the corresponding period for follow-up thereon. With respect thereto, it shall be responsible for proposing to the Board of Directors a risk control and management policy, which shall identify at least the following:
 - a) the types of risk (at least operational, technological, financial, legal and reputational) facing the company;
 - b) the setting of the risk level that the Company deems acceptable; the measures to mitigate the impact of the identified risks, should they materialize; and
 - c) the control and information systems to be used to control and manage the above-mentioned risks.
- 6) To establish and supervise a mechanism to allow employees to confidentially and anonymously report potentially significant irregularities, particularly any financial or accounting irregularities detected within the Company.



- 7) To establish and maintain appropriate relations with the Statutory Auditor in order to receive, for review by the Committee, information on all matters that could entail a threat to the independence thereof, as well as any other matters relating to the audit procedure, and when applicable, authorization of services other than those that are prohibited, upon the terms contemplated by applicable law, and such other communications as may be provided for in auditing legislation and auditing rules. In any event, the Audit and Control Committee must receive, on an annual basis, a declaration from the Statutory Auditor of its independence vis-à-vis the entity or entities directly or indirectly related thereto, as well as detailed and itemized information regarding additional services of any kind provided to and the corresponding fees received from such entities by the Auditor or by the persons or entities related thereto pursuant to the provisions of applicable law.
- 8) To issue on an annual basis, prior to the issuance of the audit report, a report stating an opinion on whether the independence of the Statutory Auditor has been compromised. This report must in all cases include a reasoned assessment of the provision of each and every one of the additional services referred to in point 7) above, both individually and as a whole, other than the legal audit and regarding the rules on independence or regulations on the auditing activity.
- 9) To analyze and report on the financial terms, accounting impact and, if applicable, the exchange ratio proposed for structural modifications and corporate transactions that the Company expects to carry out, prior to submission to the Board of Directors.
- 10) To report in advance to the Board of Directors on all matters provided for by law and the By-Laws, and particularly regarding:
 1. Financial information that the Company must periodically make public;
 2. The creation or acquisition of interests in special-purpose entities or entities domiciled in countries or territories considered to be tax havens; and
 3. Related-party transactions.
- 11) As regards those companies of the Group that are deemed to be Public-Interest Entities (*Entidades de Interés Público*) (as defined by applicable law), and with respect to which it is so approved by the Board of Directors, to perform all those duties of the Audit Committee at any time contemplated by applicable law, provided that such companies are directly or indirectly wholly-owned by the Company pursuant to the provisions of applicable law and that the administration thereof is not vested in a Board of Directors.

The provisions of sections 2, 7 and 8 are deemed to be without prejudice to the regulations on auditing.

Section VI of this Report describes the most significant activities carried out by the Committee during fiscal year 2018 in relation to the above-described duties and tasks.



V. MEETINGS OF THE COMMITTEE AND ATTENDEES AT MEETINGS.

Pursuant to the provisions of Article 22 of the Regulations of the Board of Directors and of Article 3 of the Regulations of the Audit and Control Committee, the Committee shall meet at least once every quarter and as often as appropriate, when called by its Chairman.

In any event, the Committee shall meet at least on the occasion of each annual or interim financial reporting date, in which cases it shall request the presence of the Internal Auditor and, if any review report is issued, the Statutory Auditor.

Moreover, in the performance of its duties the Committee may require that its meetings be attended by the Statutory Auditor, the head of Internal Audit, any employee or Officer of the Company, and the experts it deems appropriate.

Attendance at formal meetings of the Committee requires the sufficient prior dedication of its Members to analyze and assess the information received.

Additionally, as stated, the Committee has a Secretary and is provided with the necessary assistance for planning meetings and agendas, drafting documents and minutes of meetings, and compiling and distributing information, among other tasks.

In order to provide for adequate planning to ensure that the intended objectives are effectively fulfilled, the Committee approved its Annual Work Program for 2018 at its meeting held on January 30, 2018.

Meetings are planned by the Chairman of the Committee and communicated to the Secretary, so that its Members receive the documentation sufficiently in advance. All of the foregoing takes into account that the Members of the Committee have primarily supervisory and advisory duties and do not become involved in executive or management duties, which are within the purview of Senior Management.

Pursuant to its Annual Work Program for 2018, during fiscal year 2018 the Audit and Control Committee held a total of 13 meetings, which took place on the following dates:

- January 30, 2018
- February 20, 2018
- March 20, 2018
- April 24, 2018
- May 11, 2018
- May 29, 2018
- June 26, 2018
- July 24, 2018
- September 25, 2018
- October 29, 2018
- November 16, 2018
- November 27, 2018



- December 11, 2018

These meetings lasted for an average of approximately between two and two hours and a half each, with the Members dedicating an appropriate number of hours to the study and analysis of the matters to be addressed. The Members also held working or informational meetings when so required.

Attendance is monitored at the commencement of each meeting and recorded in the corresponding Minutes. During 2018, all Members of the Committee personally attended or were represented at all of its meetings.

Furthermore, in addition to its members, various members of the Telefónica Group's management team attend meetings of the Audit and Control Committee when appropriate, with duties to support and assist the Members of the Committee on the matters being analyzed in each meeting. Specifically, at the invitation of the Chairman of the Committee and when deemed necessary, meetings of the Committee are attended by representatives of the Office of the General Counsel, Finance and Control, Internal Audit, Intervention and Inspection, and Compliance.

In addition to the above-mentioned attendance and at the specific request of the Committee, other Officers of the Company and of its Subsidiaries participate in order to address specific matters affecting their respective businesses or the duties assigned thereto.

Moreover, the meetings held with the Statutory Auditor and with the Internal Auditor comply with the provisions of Article 7 of the Regulations of the Audit and Control Committee of the Company, which establishes that for the proper performance of its supervisory role, the Committee must be aware of and understand Management decisions on the application of key criteria and the outcome of reviews conducted by the Internal Audit unit, maintaining fluid communications with the Statutory Auditor.

In this respect, the partners representing the Company's External Auditor, PricewaterhouseCoopers Auditores, S.L. (hereinafter, PwC), participated in 8 of the 13 meetings held by the Committee in 2018. Specifically, they appeared to explain the work performed as well as to clarify, at the request of the Committee, those issues that arose relating to the duties assigned to such audit firm.

Representatives of Internal Audit, Intervention and Inspection of the Company, Finance and Control, and Compliance also participated in all the meetings held by the Committee in 2018, to address specific items of the Agenda falling within their purview.

Moreover, in relation to the preparation of the Agenda for the meetings, it should be noted that a preparatory meeting is held, coordinated by the Office of the General Counsel with the Finance, Internal Audit and Compliance areas, in order to propose and analyze the matters and issues to be addressed at each meeting, taking as a guide the aforementioned Annual Work Program, the Meetings Schedule, and the suggestions of the Directors who comprise the



Committee, thereby supporting the Chairman of the Committee in the preparation of the Agenda and the Call to each meeting.

The various matters submitted for deliberation and, where appropriate, decision-making, are addressed in due detail at all meetings of the Audit and Control Committee. The Members thereof actively participate in the various debates and discussions, stating their opinions when they deem it appropriate.

The deliberations of the Committee and the resolutions and decisions that it adopts are recorded in the corresponding Minutes of each meeting.

As regards the rules governing the composition and the adoption of resolutions by the Audit and Control Committee, its meetings are quorate when at least half of the Members are present, in person or by proxy; resolutions are adopted by simple majority of those who attended (either present or by proxy) the meeting. In the event of a tie, the Chairman has a tie-breaking vote.

It should also be noted that all documentation relating to the items on the Agenda for the meetings is generally sent sufficiently in advance to the Directors who are members of the Committee and is also made available through the corresponding IT application. All of the foregoing allows the Directors to view the information and documentation presented in a timely and appropriate manner.

Finally, and as stated, relations between the Audit and Control Committee and the Company's Board of Directors are based on the principle of full transparency. In this regard, the Chairman of the Committee reports to the Board of Directors at each of its monthly meetings on the main issues discussed and the activities and work performed by the Committee and, when necessary, proposes to the Company's Board of Directors that any appropriate resolutions be adopted.

VI. SIGNIFICANT ACTIVITIES OF THE COMMITTEE.

Of the issues that the Audit and Control Committee examines at its meetings, some correspond to legal requirements and others relate to the interest they garner in light of the powers assigned to the Committee.

The most significant activities performed by the Committee in 2018 with respect to both Telefónica, S.A. and other Public-Interest Entities (PIEs) of the Group were as follows:

Financial and Non-Financial Information

1. *Review of the Annual Accounts, Management Reports and Periodic Financial Information of the Company.*

The Audit and Control Committee, in accordance with the duties attributed thereto in this area, examined and analyzed the process of preparation of the Company's financial information. Specifically, the Committee examined and discussed the most important aspects regarding:



- The Individual Annual Accounts and Management Report of Telefónica, S.A., the Consolidated Management Report and Annual Accounts of Telefónica, S.A. and its consolidated Group of Companies, in both cases corresponding to 2017 Fiscal Year, as well as the process for preparing such information and the accounting principles used (International Financial Reporting Standards - IFRS - and General Chart of Accounts in force in Spain).
- The Annual Accounts and Management Reports of the PIEs of the Group with respect to which this Committee has assumed the duties of an Audit Committee.
- Quarterly and Semiannual Periodic Financial Information in 2018 of the Telefónica Group and of the PIEs of the Group with respect to which this Committee assumed the duties of an Audit Committee.
- The Alternative Performance Measures included in the Company's Financial Information.
- The non-financial and the diversity information prepared by the Company, in accordance with the current regulation.

Likewise, the Committee undertook a review of monographic presentations on financial aspects and changes in accounting standards.

2. *Financial Debt.*

The Audit and Control Committee also examined and analyzed the Telefónica Group's situation in terms of financial debt, and its evolution over the course of the fiscal year.

3. *Company Filings.*

The Committee examined and was informed over the course of several meetings of the following Filings made by the Company before various Supervisory Bodies:

- Annual Form 20-F Report of Telefónica, S.A. for fiscal year 2017, filed with the Securities Exchange Commission (SEC).
- Shelf Program for the Offering of Debt Instruments in the United States by Telefónica, S.A. and Telefónica Emisiones, S.A.U., as Guarantor and Issuer, respectively.
- Share Registration Document of Telefónica, S.A., prepared in accordance with Annex I to Regulation (EC) No. 809/2004 of the Commission of 29 April 2004, filed with the National Securities Market Commission (CNMV).
- Base Prospectus for the European Medium Term Note (MTN) Programme, filed with the Financial Conduct Authority (FCA) in the UK.



- Prospectus Supplement to the Base Prospectus for the issuance of debt filed with the Securities and Exchange Commission (SEC) in the United States.

External Auditor

The Company's External Auditor, PwC, presented the Committee with its Annual Work Plan for 2018, reporting on the main services to be provided as External Auditor of the Telefónica Group and of the Group's PIEs with respect to which this Committee has assumed the duties of an Audit Committee, and on the most significant matters to be reviewed.

In this regard, the different tasks performed by the Group's External Auditor were presented over the course of the various meetings of the Audit and Control Committee:

1. Financial Statements.

The representatives of the Statutory Auditor presented the Committee with the main findings of the audit work performed in relation to the Individual Annual Accounts and Management Report of Telefónica, S.A. and of the Group's PIEs and with the Consolidated Annual Accounts and Management Report of Telefonica, S.A. and its consolidated Group of Companies, for fiscal year 2017.

In addition, the Committee was informed of the limited reviews carried out by the current Statutory Auditor, PwC, with regard to the Periodic Quarterly and Semiannual Financial Information for Fiscal Year 2018 of the Telefónica Group.

2. Internal Control Systems and Reporting Systems.

The representatives of the External Auditor, PwC, also reported on the work carried out with regard to the Internal Control Systems and Reporting Systems as required by applicable law, including the Sarbanes-Oxley Act. For its part, the Committee reviewed the works performed by Internal Auditing regarding the revision of transversal processes, investigations and inspections, as well as the risk management system.

3. Fees of the External Auditor.

The Committee reviewed the proposed fee estimate for PwC for fiscal year 2018 in respect of audit work and other related services. The proposed fees for other firms of auditors who carry out work for the Telefónica Group were also presented.

4. External Auditor Assignments.

Over the course of fiscal year 2018, the Audit and Control Committee also approved various non-auditing assignments to be performed by companies within the PwC Group for various companies of the Telefónica Group. Such assignments were duly justified and motivated in



accordance with the internal regulations defined for this purpose, according to the provisions of applicable law.

5. Report on the Independence of the External Auditor.

In accordance with the provisions of section 529.4 *quaterdecies* of the Restated Text of the Spanish Companies Act and Rule 3526 (Communication with Audit Committees Concerning Independence) of the Public Company Accounting Oversight Board (“PCAOB”), having been notified by the External Auditor for fiscal year 2017 (PwC) of its statement of independence, at its meeting held on February 20, 2018, the Audit and Control Committee issued its report on the independence of such External Auditor, which described, among other things, the services additional to audit services directly and indirectly provided by PwC and its related entities to the Company and its related companies during the period covered by the annual accounts for the fiscal year ended December 31, 2017, as well as the corresponding fees.

This report concluded that such External Auditor was independent of Telefónica, S.A. and its related companies on the terms established by applicable law.

6. Audit Report on Financial Statements – “Key Audit Matters.”

The Audit and Control Committee was informed of the “Key Audit Matters” of Telefónica, S.A. and its Consolidated Group of Companies included in the Audit Reports on the Individual Annual Accounts, the Management Report of Telefónica, S.A., and on the Consolidated Annual Accounts and Management Reports of Telefónica, S.A. and its Consolidated Group of Companies, as well as, on the Individual Annual Accounts and Management Report of the PIEs of the Group with respect to which this Committee has assumed the duties of an Audit Committee, for fiscal year 2017. The Audit and Control Committee was also informed of the main “Key Audit Matters” to be included in the Audit Reports for fiscal year 2018.

7. Evaluation of the role of the External Auditor.

Pursuant to the provisions of Section 71 of Technical Guide 3/2017 of the National Securities Market Commission on Audit Committees at Public-Interest Entities, the Audit and Control Committee analyzed the results of the process of evaluating the External Auditor, PwC, and how it has contributed to the quality of the audit and the integrity of the financial information.

Internal Audit and Internal Control

At its meetings held during fiscal year 2018, the Audit and Control Committee was informed of the actions carried out by the Internal Audit, Intervention and Inspection Directorate of Telefónica, S.A. in relation to the Internal Control Systems of the Company and the PIEs of the Group with respect to which this Committee has assumed the duties of an Audit Committee, as required both by Spanish and international law (including the Sarbanes-Oxley Act).



On its part, throughout 2018 Fiscal Year, the Committee performed a follow-up of the complaints in the Telefónica Group, and analyzed, among others, the following issues:

- The 2017 Annual Activities Report of the Internal Audit, Intervention and Inspection Directorate.
- The 2018 Annual Plan of the Internal Audit, Intervention and Inspection Directorate of the Telefónica Group and of the PIEs of the Group with respect to which this Committee has assumed the duties of an Audit Committee, as well as the budget proposal for this area and the details of its work plans.
- The Internal Audit reports on reviews of cross-departmental processes.
- The Evaluation of the Risk Map of Telefónica, S.A. and of the PIEs of the Group with respect to which this Committee has assumed the duties of an Audit Committee.

Compliance

At its meetings held during fiscal year 2018, the Audit and Control Committee, undertook a compliance review, including anticorruption rules and was notified of the following actions carried out by the Compliance Directorate of Telefónica, S.A.:

- Annual Compliance Directorate Activities Report 2017.
- Annual Compliance Directorate Plan 2018, and details of its work plans.
- The Quarterly and Semiannual review of the main activities carried out by the Compliance Directorate in 2018.
- The Status of implementation of General Data Protection Regulation (GDPR).
- The follow-up of the Regulations on Relations of the Telefónica Group with Public Entities.
- The follow-up of the Preventive Model for Basic Compliance Risk Control and Assessment.
- The follow-up of the Criminal Prevention Model.

Other matters of interest analyzed by the Audit and Control Committee

- Annual Work Program 2018.
- Audit and Control Committee of Telefónica, S.A.: Operation Report 2017.



- Audit and Control Committee: Related-Party Transactions Report 2017.
 - Monthly report from the Head of the Treasury Stock Management Team of Telefónica, S.A. on treasury stock transactions.
 - Verifying that the financial information published on the Company's website is continuously updated and matches the information that has been prepared in each case by the Board of Directors and published on the CNMV website.
 - Supervision of Action Plans.
 - Disclosures to Regulators.
 - Evaluation of the role of the Internal Audit, Intervention and Inspection Directorate.
 - Regular training to ensure up-to-date expertise of the Committee members.
- As set forth in Article 5 of the Regulations of the Audit and Control Committee, the Committee shall be provided with the resources necessary for the Members of the Committee to obtain external advice on legal, accounting, risk assessment and other matters as required.

VII. EVALUATION OF THE OPERATION AND PERFORMANCE OF THE COMMITTEE.

Pursuant to the provisions of Article 8 of the Regulations of the Company's Audit and Control Committee, the Committee carried out its evaluation process at the end of fiscal year 2018, particularly with regard to its composition, work program, documentation, calls to meetings thereof, frequency, duration and conduct of meetings, contact with Officers of the Company and with the External Auditors, powers, duties and resources.

The description of the results allows for confirmation of the proper operation of the Committee, which results has been communicated to the Board of Directors. However, although the aforementioned evaluation produced satisfactory results, the following aspects were identified as having the potential for improvement:

- Having more time to analyze the documentation and information presented to the Committee. For these purposes, efforts will be continued to send the documentation to the Directors further in advance.
- A more standardized reporting system regarding new legal and regulatory developments affecting the Audit and Control Committee will be established.



VIII. INFORMATION ON THE COMMITTEE'S OPINION REGARDING THE INDEPENDENCE OF THE STATUTORY AUDITOR.

Additionally, as stated in Section VI above and as regards the External Auditor (PwC), on February 20, 2018, after having received the communication from such External Auditor regarding its independence, the Committee issued its report on the independence of PwC, concluding that such External Auditor is independent of Telefónica, S.A. and of its related companies, on the terms established by applicable law.

Likewise, on February 19, 2019, after having received the communication from the External Auditor (PwC) regarding its independence, the Committee issued its report on the independence of such External Auditor, concluding that it is independent of Telefónica, S.A. and of its related companies, on the terms established by applicable law.

IX. INFORMATION ON THE PRACTICAL GUIDES REGARDING AUDIT COMMITTEES FOLLOWED BY THE COMMITTEE.

The Audit and Control Committee of Telefónica, S.A. follows the Technical Guide on Audit Committees of Public-Interest Entities approved by the National Securities Market Commission (CNMV) on June 27, 2017.

X. CONCLUSIONS.

As reflected above, the Audit and Control Committee has analyzed and examined the main issues and aspects within its purview during the course of fiscal year 2018, regularly reporting to the Company's Board of Directors on the most significant issues.

During fiscal year 2019, the Audit and Control Committee plans to continue to review and monitor the situation affecting all matters within its purview, pursuant to its Meetings Schedule and Annual Work Program 2019.

XI. DATE OF PREPARATION AND OF APPROVAL OF THE REPORT.

This Report was prepared by the Audit and Control Committee on February 19, 2019 and approved by the Board of Directors of Telefónica, S.A. on February 20, 2019.

Madrid, February 20, 2019
