

# TELEFÓNICA, S.A.

## Ordinary General Shareholders' Meeting

By resolution of the Board of Directors of TELEFÓNICA, S.A., the shareholders are hereby called to the Ordinary General Shareholders' Meeting, to be held in **Madrid, at the Recinto Ferial de la Casa de Campo, Pabellón de Cristal, Avenida de Portugal, sin número**, at 1:00 p.m. on **June 12, 2015** on second call, in the event that the legally required quorum is not reached and therefore the Meeting cannot be held on the first call that is hereby called on June 11, 2015 at the same place and time, in order to deliberate and decide upon the matters included in the following

### AGENDA

- I. Approval of the Annual Accounts and of the Management Report of both Telefónica, S.A. and of its Consolidated Group of Companies, for fiscal year 2014.
- II. Approval of the proposed allocation of the profits/losses of Telefónica, S.A. for fiscal year 2014.
- III. Approval of the management of the Board of Directors of Telefónica, S.A., during fiscal year 2014.
- IV. Re-election of the Auditor for fiscal year 2015.
- V. Approval of the reduction in share capital by means of the cancellation of shares of the Company's own stock, excluding the right of creditors to object and amending article 6 of the By-Laws regarding share capital.
- VI. Shareholder compensation by means of a scrip dividend. Approval of an increase in share capital by such amount as may be determined pursuant to the terms and conditions of the resolution, through the issuance of new ordinary shares having a par value of one euro each, with no share premium, of the same class and series as those that are currently outstanding, with a charge to reserves. Offer to the shareholders to purchase their free-of-charge allotment rights at a guaranteed price. Express provision for the possibility of incomplete allocation. Application for admission to trading of the new shares on the Spanish and foreign Stock Exchanges on which the shares of Telefónica, S.A. are listed. Delegation of powers to the Board of Directors, with express powers of substitution.
- VII. Amendment of the By-Laws to conform them to the amendments made to the Companies Act by Law 31/2014 of December 3 to improve corporate governance, and to introduce other technical and text organization improvements.

- A) Amendment of the articles of the By-Laws relating to the General Shareholders' Meetings and the powers and duties thereof: Articles 15 (*Powers of the shareholders acting at a General Shareholders' Meeting*), 16 (*Ordinary and Extraordinary General Shareholders' Meetings*), 17 (*Call to the General Shareholders' Meeting*), 19 (*Right to attend*) and 22 (*Shareholders' right to receive information*).
  - B) Amendment of the article 35 of the By-Laws in relation to Director's compensation.
  - C) Amendment of the articles of the By-Laws regarding the organization of the Board of Directors and the executive and advisory bodies thereof: articles 29 (*Composition and appointment of the Board of Directors*), 33 (*Conflict of interest of the Directors*), 37 (*Powers of the Board of Directors*), 39 (*Audit and Control Committee*) and 40 (*Nominating, Compensation and Corporate Governance Committee*).
- VIII. Amendment of the following articles of the Regulations for the General Shareholders' Meeting to conform them to the amendment of the Companies Act by Law 31/2014 of December 3 to improve corporate governance, and to introduce other technical and text organization improvements: amendment of the articles 5 (*Powers of the shareholders at the General Shareholders' Meeting*), 7 (*Power and obligation to call to meeting*), 8 (*Publication and notice of call to meeting*), 9 (*Information available to the shareholders from publication of the notice of the call to meeting*), 10 (*The shareholders' right to receive information*), 12 (*Right to attend*), 13 (*Right of representation*), 23 (*Voting on the proposed resolutions*), 24 (*Adoption of resolutions and announcement of voting results*); and inclusion of a new article 23 bis (*Conflicts of interest at the General Shareholders' Meeting*).
- IX. Delegation to the Board of Directors, with express powers of substitution, for a period of five years, of the power to increase the share capital pursuant to the provisions of Section 297.1.b) of the Companies Act, and delegation of the power to exclude the preemptive right of the shareholders as provided in Section 506 of the Companies Act.
  - X. Delegation of powers to formalize, interpret, remedy and carry out the resolutions adopted by the shareholders at the General Shareholders' Meeting.
  - XI. Consultative vote on the 2014 Annual Report on Directors' Compensation.

## **SUPPLEMENT TO THE CALL TO THE GENERAL SHAREHOLDERS' MEETING**

Shareholders representing at least three percent of the share capital may request the publication of a supplement to this call to the General Shareholders' Meeting, including one or more items in the Agenda, provided the request is accompanied by the rationale therefor or, if appropriate, by a well-founded proposal for a resolution. This right must be exercised by means of verifiable notice (which will include the corresponding documents evidencing shareholder status) that must be received at the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the General Secretary and Secretary of the Board of Directors) within five days of the publication of this call to meeting. In addition, and as provided in Section 519 of the Companies Act, shareholders representing at least three percent of the share capital may, within five days following publication of this notice of call, submit well-founded proposals for resolutions on matters that have already been included or that must be included in the Agenda.

## **RIGHT TO RECEIVE INFORMATION**

In connection with Items I, II, V, VI, VII, VIII, IX, and XI on the Agenda, and pursuant to applicable laws and regulations, it is stated for the record that shareholders have the right to examine and obtain at the Company's registered office, or to request the Company to send them, immediately and free of charge, a copy of the following documents:

- Individual and consolidated Annual Accounts of Telefónica, S.A. and the proposed allocation of profits/losses, all for fiscal year 2014.
- Individual and consolidated Management Reports of Telefónica, S.A. for fiscal year 2014.
- Audit Reports on the individual and consolidated Annual Accounts of Telefónica, S.A. for fiscal year 2014.
- Report of the Board of Directors regarding the proposal for the reduction in share capital by means of the cancellation of shares of the Company's own stock referred to in item V of the Agenda, which includes the full text of the proposal.
- Report of the Board of Directors regarding the proposal for shareholder compensation by means of a *scrip dividend* referred to in item VI of the Agenda, which includes the full text of the proposal.

- Report of the Board of Directors in relation to the proposal for amending the By-Laws of Telefónica, S.A. referred to in item VII of the Agenda, which includes the full text of the proposal.
- Report of the Board of Directors in relation to the proposal for amending the Regulations for the General Shareholders' Meeting of Telefónica, S.A. referred to in item VIII of the Agenda, which includes the full text of the proposal.
- Report of the Board of Directors regarding the proposal for authorizing such Body to increase the share capital and exclude the preemptive right of the shareholders referred to in item IX of the Agenda, which includes the full text of the proposal.
- The Annual Report on the Remuneration of Directors of Telefónica, S.A., which is submitted to a consultative vote under item XI of the Agenda.

Pursuant to Sections 197 and 520 of the Companies Act, the shareholders may, until the fifth day prior to the date on which the General Shareholders' Meeting is scheduled to be held and by completing the form posted on the Company's corporate website ([www.telefonica.com](http://www.telefonica.com)) for such purpose, or by postal correspondence sent to the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the Oficina del Accionista (*Office of the Shareholder*), request such information or clarifications as they deem necessary, or ask such questions as they deem appropriate, regarding the matters included on the Agenda or about the information available to the public that has been provided by Telefónica, S.A. to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) since May 30, 2014, i.e., the date on which the last General Shareholders' Meeting was held, or regarding the Auditor's reports mentioned above.

Independently of the right to receive information referred to above, as from the date of publication of the notice of call to meeting, the following documents and information, among others, may be viewed on the Company's corporate website ([www.telefonica.com](http://www.telefonica.com)) and in the WebApp (<http://telefonica.com/meeting>) if accessing through mobile devices:

- This notice of call to meeting.
- The total number of shares and voting rights on the date of the call to meeting.
- The Individual Annual Accounts, the Management Report and the Auditor's report for fiscal year 2014, as well as the Consolidated Annual Accounts, the Management Report of the Group and the Auditor's report for the same fiscal year.
- The full text of the resolutions proposed regarding each of the items on the

Agenda, as well as, in connection with items V, VI, VII, VIII and IX, the respective Reports of the Board of Directors.

- The form of distance proxy-granting or voting card.
- The Annual Report on the Remuneration of Directors of Telefónica, S.A.
- The Annual Corporate Governance Report for fiscal year 2014.

### **RIGHT TO ATTEND THE MEETING IN PERSON OR BY PROXY**

The right to attend the General Shareholders' Meeting hereby called accrues to shareholders that hold at least 300 shares registered in their name in the corresponding book-entry registry five days in advance of the date on which the Meeting is to be held and who provide evidence thereof by means of the appropriate attendance card or by producing a certificate issued by the Company or by any of the depositaries participating in *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* (Securities Registration, Clearing and Settlement Systems Management Company) (IBERCLEAR), or by any other means allowed under applicable law.

Any shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by another person, who need not be a shareholder. A proxy may be granted by using the proxy-granting form printed on the attendance card or by any other means allowed by Law. The documents containing proxies for the General Shareholders' Meeting must set forth the instructions regarding the direction of the vote. Where no express instructions are given, it shall be understood that the proxy-holder must vote in favor of the proposed resolutions submitted by the Board of Directors regarding the matters on the Agenda, and against the resolution in question in relation to any matters that are not included in the Agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the General Shareholders' Meeting.

If the proxy-granting document does not set forth a specific person to whom the shareholder grants the proxy, such proxy will be deemed granted in favor of the Chairman of the Board of Directors of the Company or of such other person as may replace him as Chairman of the General Shareholders' Meeting. In the event that the appointed representative is involved in a conflict of interest upon voting on any of the proposals, whether or not included in the Agenda, which are submitted to the shareholders at the General Shareholders' Meeting, and the shareholder has not given specific voting instructions, the proxy will be deemed granted to the Secretary for the General Shareholders' Meeting.

Shareholders who do not hold the minimum number of shares required to attend may grant a written proxy in respect thereof in favor of another shareholder having the right to attend, or come together with other shareholders

that are in the same situation such that they reach the required number of shares and grant a written proxy to one of such shareholders.

### **PROXY-GRANTING AND VOTING BY MEANS OF LONG-DISTANCE COMMUNICATION**

Pursuant to Articles 20 and 25 of the By-Laws and 13 and 22 of the Regulations for the General Shareholders' Meeting and to the resolution adopted by the Board of Directors as permitted by the aforementioned provisions, the exercise of proxy representation and voting rights by means of long-distance communication shall be governed by the following provisions:

#### **1.- Proxy-granting or voting prior to the General Shareholders' Meeting by electronic means.**

Shareholders wishing to grant a proxy or to cast their vote by electronic means prior to the holding of the Meeting must access the "2015 General Shareholders' Meeting/Proxy-granting and Voting by Electronic Means" section available on the Company's corporate website ([www.telefonica.com](http://www.telefonica.com)) (the "Website") and follow the instructions to grant a proxy or to exercise their right to vote prior to the General Shareholders' Meeting that are specified therein.

To such end, shareholders must provide evidence of their identity on the software provided for such purpose on the above-mentioned Website by means of: (i) the Electronic National Identity Document or (ii) a recognized, valid and current electronic user certificate, as provided in Electronic Signature Act 59/2003, of December 19, issued by the Spanish Public Certification Body (CERES), a division of the *Fábrica Nacional de Moneda y Timbre* (Spanish Royal Mint). The Company reserves the right to request such additional means of identification from shareholders as it deems necessary to verify their status as shareholders and to guarantee the authenticity of the vote and of the proxy-granting.

#### **2.- Proxy-granting or voting prior to the General Shareholders' Meeting by postal correspondence.**

Shareholders wishing to grant a proxy or to cast their vote by postal correspondence must complete and sign the distance proxy-granting or voting card prepared by the Company and send it to the attention of the Office of the Shareholder (Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid), attaching the original of the document in the name of the shareholder evidencing ownership of the shares, issued for such purpose by the Company or by the Depositary, along with a photocopy of the shareholder's national identity document or passport.

Shareholders that are legal entities must send to the Company a photocopy of a power of attorney with sufficient powers, evidencing the authority of

the individual signing the distance proxy-granting or voting card in the name of the legal entity.

If a proxy is granted to a person other than one of the members of the Board of Directors, a copy of the proxy-granting card must be sent to the proxy-holder for delivery at the access to the premises on the day of the General Shareholders' Meeting.

Should they wish to revoke the proxy granted, shareholders must contact the Company, at the Office of the Shareholder (phone no.: 900 111 004) before midnight on June 8, 2015.

Shareholders may obtain the Company's distance proxy-granting or voting card by downloading it from and printing it on the Website, by picking it up at the registered office of the Company or by requesting at the Office of the Shareholder (telephone 900 111 004 / mail [accion.telefonica@telefonica.com](mailto:accion.telefonica@telefonica.com)) that it be sent to them without charge.

Shareholders may also grant a proxy or cast a vote using the cards issued by depositaries. In this case, shareholders must complete the sections relating to proxy-granting or voting from a distance, if applicable, on the card issued by the depositary and send it to the Company by postal correspondence to the attention of the Office of the Shareholder (Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid).

3.- Provisions common to the exercise of proxy-granting or voting rights by means of long-distance communication.

a) Deadline for receipt by the Company and evidence of the status as shareholder.

In order to be valid, both the proxies granted and the votes cast prior to the General Shareholders' Meeting by means of long-distance communication (be it by electronic means or by postal correspondence) must be received by the Company before midnight on June 8, 2015.

The distance proxy or vote shall only be deemed to be valid if the status as shareholder is confirmed, through verification of the fact that the ownership information and the number of shares provided by each person granting a proxy or voting by means of long-distance communication are the same as the data provided by IBERCLEAR. In the event of a discrepancy between the number of shares reported by the shareholder and the number set forth in the IBERCLEAR file, the number of shares provided by IBERCLEAR shall prevail for purposes of quorum and voting.

In the event of co-ownership of shares, the person granting the proxy or the vote from a distance will be deemed to have been appointed to exercise the shareholder rights, if such person is one of the co-owners.



b) Rules of priority between proxy-granting and voting by means of long-distance communication and attendance at the General Shareholders' Meeting.

Attendance at the General Shareholders' Meeting by a shareholder who has previously granted a proxy or voted by means of long-distance communication (whether by electronic means or by postal correspondence), shall render the proxy or the vote null and void.

In the event that a shareholder grants several proxies or casts several votes (whether by electronic means or by postal correspondence), the action (proxy-granting or voting) taken last shall prevail. If the time when the shareholder granted any of the proxies or cast any of the votes is uncertain, the vote (regardless of the means used to cast it) shall prevail over the proxy-granting. If the shareholder cast several votes in different directions, by electronic or postal means, the vote cast last shall prevail.

c) Suspension of electronic systems / Interconnection failures.

The Company reserves the right to modify, suspend, cancel or limit electronic voting or proxy-granting mechanisms whenever technical or security reasons require it or make it advisable. If any of such instances occurs, it will be announced on the Company's corporate website. All of the foregoing is without prejudice to the validity of the votes already cast and the proxies already granted and to shareholders' attendance and proxy representation rights.

The Company shall not be liable for any damage that may be sustained by shareholders as a result of failures, overloads, downtime, failed connections or any other contingency of the same or like nature beyond the Company's control that prevents the use of electronic voting or proxy-granting mechanisms. Accordingly, such circumstances shall not constitute an unlawful deprivation of shareholders' rights.

d) Other matters.

Both proxies granted and votes cast by means of long-distance communication shall be rendered void by the disposal of the shares that the Company becomes aware of.

### **ELECTRONIC SHAREHOLDERS' FORUM**

Pursuant to the provisions of Section 539.2 of the Companies Act, on the occasion of the call to meeting and until the General Shareholders' Meeting is held, Telefónica, S.A. has set up an Electronic Shareholders' Forum on the Company's corporate website ([www.telefonica.com](http://www.telefonica.com)) which shall be accessible, with appropriate safeguards, by both individual shareholders and any shareholder associations they may create.



Proposed resolutions sought to be submitted as a supplement to the agenda announced in the call to meeting may be published in the Electronic Shareholders' Forum, together with requests for adherence to such proposals, initiatives to reach the percentage sufficient to exercise a minority right provided by law and proxy offers or solicitations.

The Forum is not a mechanism for online electronic conversation between the shareholders of Telefónica, S.A. and the voluntary associations they may create or a forum for electronic debate. The Forum is also not a channel for communication between Telefónica, S.A. and its shareholders and the associations they may create. The Forum is provided for the sole purpose of facilitating communications between Telefónica, S.A. shareholders and the voluntary associations they may create, on the occasion of the call to meeting and until the day the General Shareholders' Meeting is held.

Instructions for access to and use of the Forum may be found in the "2015 General Shareholders' Meeting/Electronic Shareholders' Forum" section.

#### **PARTICIPATION OF A NOTARY AT THE MEETING**

The Board of Directors has resolved to request the presence of a Notary Public to draw up the minutes of the General Shareholders' Meeting, pursuant to Section 203 of the Companies Act, read together with Sections 101 and 103 of the Regulations of the Commercial Registry.

#### **DATA PROTECTION**

The personal data sent by the shareholders to the Company to exercise their rights to attend, grant proxies and vote at the General Shareholders' Meeting, or the personal data provided for such purpose by the entities that are the depositaries of the shares held by such shareholders, shall be used by Telefónica, S.A. to manage the development, compliance with and control of the shareholding relationship. Such data shall be provided to the Notary Public exclusively in connection with the preparation of the notarized minutes of the General Shareholders' Meeting.

Furthermore, pursuant to the Personal Data Protection Act (Organic Act 15/1999, of December 13), the data received will be kept in another file for which Telefónica, S.A. is also responsible, and the purpose of which is to send shareholders information relating to their investment and any advantage inherent to their status as shareholders in the telecommunications, new information technologies, tourism, culture, insurance, financial and home assistance industries, along with facilitating communication between shareholders on the occasion of the General Shareholders' Meeting. Shareholders have 30 days as from the date of the General Shareholders'

Meeting to object to such treatment (which they may do by calling toll-free at 900 111 004); upon expiration of such period without their having objected, they will be deemed to have given their consent for such purpose.

The rights of access, correction, cancellation and challenge may be exercised by the owner of the personal data, who must provide evidence of his identity, by letter addressed to the Office of the Shareholder of Telefónica, S.A., Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid.

If the shareholder includes personal data of other individuals on the distance proxy-granting or voting card, the shareholder must advise them of the details set forth in the preceding paragraphs and comply with any other requirements that may apply for the proper provision of the personal data to the Company, without the Company having to take any other additional action in terms of information or consent.

Shareholders (and their proxies, if any) must use any personal data of any individual that the Company may have made available to them on the occasion of the exercise of their rights to receive information, to attend, to grant a proxy and to vote at the General Shareholders' Meeting only in order to exercise such rights.

FOR ANY ADDITIONAL INFORMATION, SHAREHOLDERS MAY CONTACT TELEFÓNICA'S SHAREHOLDERS OFFICE BY CALLING TOLL-FREE AT 900 111 004, FROM 9:00 A.M. TO 7:00 P.M., MONDAY THROUGH FRIDAY OR BY SENDING AN EMAIL TO [accion.telefonica@telefonica.com](mailto:accion.telefonica@telefonica.com).

Madrid, April 29, 2015  
General Secretary and Secretary of the Board  
Mr. Ramiro Sánchez de Lerín García-Ovies



Ordinary General Shareholder's Meeting  
Telefónica S.A. 2015