

REPORT OF THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A.**REGARDING****THE PROPOSALS FOR RE-ELECTION OF DIRECTORS BEING SUBMITTED TO
THE SHAREHOLDERS AT THE GENERAL SHAREHOLDERS' MEETING****March 17, 2021**

The Board of Directors of Telefónica, S.A. (the “**Company**”) issues this report to provide its rationale for the proposals for re-election of Directors being submitted to the shareholders at the General Shareholders’ Meeting for approval, pursuant to the provisions of Section 529 *decies* of the Companies Act (*Ley de Sociedades de Capital*).

Section 529 *decies* of the Companies Act provides as follows:

“1. The members of the board of directors of a listed company shall be appointed by the shareholders at a shareholders’ meeting or, in the case of an expected vacancy, by the board itself by co-option.

2. Co-option at listed companies shall be governed by the provisions of this Law, with the following exceptions:

a) A director appointed by the board need not necessarily be a shareholder of the company.

b) If the vacancy occurs after the call to shareholders’ meeting and prior to the holding thereof, the board of directors may appoint a director until the holding of the next shareholders’ meeting.

3. There shall be no appointment of alternates at listed corporations.

4. The proposal for appointment or re-appointment of members of the board of directors is the responsibility of the appointments and compensation committee with respect to independent directors and the board itself in other cases.

5. Proposals must be accompanied in all cases by an explanatory report prepared by the board that assesses the competence, experience and merits of the proposed candidate, and such report shall be attached to the minutes of the shareholders’ meeting or the board meeting.

6. Proposals for the appointment or re-election of any non-independent director must also be preceded by a report from the appointments and compensation committee.

7. The provisions of this section shall also apply to the individuals who are appointed to be representatives of a corporate director. Proposals for the appointment of natural person representatives shall be subject to a report from the appointments and compensation committee.”

Accordingly, the Companies Act requires that the proposal for appointment or re-election of members of the Board of Directors be accompanied in any event by an explanatory report from the Board of Directors that assesses the competence, experience and merits of the candidates proposed, which will be attached to the minutes of the General Shareholders' Meeting or of the board meeting and which, in accordance with section 518 of the same Act, must be published uninterruptedly on the corporate website as from the publication of the announcement of the call to meeting.

As required by the Act, and with a view to ensuring the utmost level of transparency, this report assesses the competence, experience and merits of: i) Mr. José María Álvarez-Pallete López, proposed to be re-elected as a Director of the Company, with the classification of executive Director; ii) Ms. Carmen García de Andrés, proposed to be re-elected as a Director of the Company, with the classification of independent Director; iii) Mr. Ignacio Moreno Martínez, proposed to be re-elected as a Director of the Company, with the classification of proprietary Director; and iv) Mr. Francisco José Riberas Mera, proposed to be re-elected as a Director of the Company, with the classification of independent Director; and this report also contains the rest of the information that the shareholders need to be able to cast their vote on the proposals made.

1. APPLICATION OF THE DIRECTOR SELECTION POLICY

At its meeting of November 25, 2015, the Board of Directors approved a Director Selection Policy, which was updated on December 13, 2017 to include a Diversity Policy applicable to the Board of Directors, for which reason its name was changed to the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors. On December 16, 2020, the Board of Directors also approved an update of this Policy to conform it, particularly in terms of diversity, to the provisions of the Recommendations of the Code of Good Governance of the Spanish National Securities Market Commission, which was partially amended in June 2020.

Such Policy seeks to ensure that the procedures for selecting Directors are based on a prior analysis of the skills required by the Board of Directors and favor a diversity of knowledge, professional training and experience, disabilities, age and gender, ensuring that such proposals are free from any implicit bias entailing any kind of discrimination, particularly by reason of gender, disability or any other personal condition, and that they facilitate the selection of Directors in a number that allows for a balanced presence of women and men.

In this respect, the Board of Directors and the Nominating, Compensation and Corporate Governance Committee will ensure, within the scope of their respective powers, that the candidates chosen for the position of Director are persons of recognized caliber, qualifications and experience, who are willing to devote the time and effort required to perform their duties, taking special care in the selection of the persons to be appointed as independent Directors.

In this regard, all candidates for the Company's Board of Directors must be upstanding professionals whose conduct and professional career are aligned with Telefónica's Business Principles. In addition, special consideration is given to candidates for Director with training and professional experience in telecommunications, technology, consumer knowledge, ESG knowledge, marketing, accounting, auditing, risk management (both financial and non-financial), with extra value placed on international experience and the leadership of teams at multinationals.

The Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors sets out the procedure for selecting the directors of the Company and establishes that the Board of Directors must perform an annual evaluation of its functioning and that of its Committees, particularly valuing the application of the various aspects of diversity set out in such Policy, as well as the performance of the Chairman of the Board of Directors, of the Company's Chief Executive Officer, and of the various Directors, paying special attention to the heads of the various Board Committees, and adopting appropriate measures for the improvement thereof.

The Board of Directors has verified that in the process of preparing and approving the proposals for re-election of Directors that it intends to submit to the shareholders at the General Shareholders' Meeting, the provisions of the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors have been complied with and a suitable and rigorous procedure has been followed to ensure that the proposals formulated by both the Board of Directors and the Nominating, Compensation and Corporate Governance Committee (with respect to the proposals affecting independent Directors) are in the best interest of the Company.

2. PROPOSALS RELATING TO THE COMPOSITION OF THE BOARD OF DIRECTORS

2.1 MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ

Professional and biographical profile and noteworthy experience

Born in Madrid, in 1963.

Mr. Álvarez-Pallete has a degree in Economics from the Complutense University of Madrid. He also studied Economics at the Université Libre of Brussels (Belgium), holds an International Management Programme (IMP) from IPADE Business School and an Advance Research Degree from the Complutense University of Madrid.

In February 1999 he joined the Telefónica Group as Chief Financial Officer of Telefónica Internacional S.A.U., and in September of the same year he became Chief Financial Officer of Telefónica S.A. In July 2002, he was appointed Executive Chairman of Telefónica Internacional S.A.; in July 2006, General Manager of Telefónica Latinoamérica, and in March 2009 Chairman of Telefónica

Latinoamérica. In September 2011 he was named Executive Chairman of Telefónica Europe. And in September 2012 he was appointed Chief Operating Officer of Telefónica S.A.

Since April 8th 2016 he is Chairman & CEO of Telefónica S.A. and Member of the Board of Telefónica S.A., position he holds since July 2006. Since March 2019 he is member of the Advisory Council of SEAT, S.A.

He began his professional career at Arthur Young Auditors in 1987, before joining Benito & Monjardín/Kidder, Peabody & Co. in 1988. After this, in 1995, he joined the Compañía Valenciana de Cementos Portland (CEMEX) as head of the Investor Relations and Analysis Department. In 1996, he was promoted to Chief Financial Officer in Spain, and in 1998 to Chief Administration and Finance Officer of the CEMEX Group Indonesia and to member of the Board of CEMEX Asia Ltd.

In 2001 he was granted the best “CFO Europe Best Practices” award in the Mergers & Acquisitions category for the year 2000. In 2003, he was appointed Member of Merit at the Ibero-American Forum of the Fundación Carlos III and in 2007 he was awarded with the Gold Master of the Executive Management Forum. In 2011 he received the Personality of the Year in Economics Award, given by the Spanish newspaper “El Economista”. In 2013 he received the Excellence 2013 Award, for his contribution to the development of telecommunications, granted by the Spanish Telecommunication Engineers Association. In 2014, Mr. ÁlvarezPallette received the Medalla Sorolla by The Hispanic Society of America, he was named Innovative Corporate Leader of the Year by Latin Trade Magazine and the magazine FastCompany included him in its "100 Most Creative People in Business2014". In 2016 he was named “Best CEO” in Spain by Forbes Magazine and the Consejo Superior de Deportes granted him the entry in the Royal Order of Merit Sports in the category of Bronze Medal. In 2019 he was granted with the Cross of Military Merit with white distinction, he received the "Manager of the Year" award in the Large Corporations category granted by the Asociación Española de Directivos, and was chosen “Business Leader of the Year” by the Spain-US Chamber of Commerce. In 2020 he was awarded with the ECOFIN prize for "Financiero del Año" and the Spanish Marketing Association has named him "Lider Empresarial Impulso del Marketing".

In 2021, he has been appointed Honorary Ambassador of Leading Brands of Spain Forum.

The Board of Directors of the Company considers that the training and experience of Mr. José María Álvarez-Pallette López provide him with highly valuable and useful knowledge for performing the duties thereof as a Director of the Company.

Suitability and merits

The Board of Directors believes that Mr. José María Álvarez-Pallete López has the knowledge, experience and professional background necessary to lead the Telefónica Group and to meet the challenges facing the Company in the coming years, especially in the telecommunications industry at the domestic, European and global levels. He is widely recognized for his leadership skills and for addressing the tremendous challenges and opportunities relating to continuous innovation and technological disruption.

The Board of Directors finds that Mr. José María Álvarez-Pallete López throughout his terms as executive Director, has contributed quite prominently to the transformation of the Telefónica Group, developing leading digital infrastructures and platforms in Europe and Latin America, promoting a new strategy based on digitalization, and preparing the company to capture the opportunities of the new digital world.

He has also established the priorities of the evolution towards the New Telefónica, strengthening its positioning in key countries for the Group, modulating exposure to Latin America, launching new leading technology units in key areas such as Cloud, Cybersecurity, IoT and Big Data, strengthening the value of unique infrastructures, driving alternative deployment models, and advancing the transformation of the operational model to become a much more agile company. During the first year of implementation of this roadmap, the resilience of the business has been demonstrated under conditions marked by the pandemic, while significant progress has been made with strategic priorities.

The Board of Directors values the ability of Mr. José María Álvarez-Pallete López to promote a human-centric vision of digitalization. He is recognized both within and outside of the industry for his leadership in the debate on the safe and ethical use of data in this new economy and his proposal for a new digital bill of rights to ensure that no one is left behind in the transition to the digital economy. His commitment to ESG is also noteworthy because it is the only way to have a positive long-term impact, generating value for all stakeholders.

The Board of Directors especially appreciates his pioneering and innovative technology vision, which has made him a leader both within and outside the industry as well as an international business leader. It also notes his tenacity, dedication and commitment at the personal level, together with his conciliatory nature and sensitivity towards society in general. It finds that all of this, along with his skills to lead and motivate teams, allows him to perform his duties in a very effective manner.

By virtue thereof, the Board of Directors has come to a very favorable conclusion regarding the suitability of Mr. José María Álvarez-Pallete López for holding the position, meeting the requirements of business and professional good standing and appropriate knowledge and experience for performing the duties thereof as a Director of the Company.

Availability

It has been verified that the candidate is effectively available to provide the dedication required to hold the position of Director of the Company, with the classification of executive Director.

Absence of disqualifications and conflicts

It has also been verified that the candidate has not incurred any grounds for disqualification, prohibition or permanent conflict of interest that would prevent the candidate from properly performing the duties thereof, or any of the circumstances contemplated in Article 12 of the Company's Regulations of the Board of Directors.

Class of Director

Mr. José María Álvarez-Pallete López is currently the Executive Chairman of Telefónica, S.A., and therefore is an executive Director.

Report of the Nominating, Compensation and Corporate Governance Committee

The favorable report of the Nominating, Compensation and Corporate Governance Committee dated March 10, 2021 on the proposed re-election of Mr. Álvarez-Pallete is attached to this report as an exhibit.

2.2 MS. CARMEN GARCÍA DE ANDRÉS

Professional and biographical profile and noteworthy experience

Born in Madrid on 15th of December 1962.

She holds a degree in Economic and Business Sciences from Universidad Pontificia de Comillas, ICADE.

Currently, Ms. García is Chairwoman of Tomillo Foundation.

She joined PricewaterhouseCoopers (Coopers & Lybrand Legacy) in 1985, being promoted as Head officer in 1995 and Associate in 2000. Since then, she held various leadership positions at Ladwell -Abogados y Asesores Fiscales as well as at PwC. Ms. García is specialized in advice of large companies, and she has been representative of the Spanish brand at the International Specialist Group in Indirect Taxation for more than six years. Since 1998, she has been counseling international companies established in Spain with a major worldwide involvement. She has been an International Taxation professor at ESADE during this period and a member of the Spanish Association of Tax Advisors.

Since 2004 until 2007, she has been Managing Partner of the Gran Consumo, Distribución, Industria y Servicios Group of Madrid with more than 30 experts in

legal and taxation areas. Likewise, during the years 2005 and 2007, she was responsible of Diversity Program, Women in PwC. Since then, she has collaborated as a mentor in professional development programmes for women, such as the Lidera Programme and MET (Women, Business and Technology) of the Instituto de Empresa, Promociona and Women to Watch.

Since 2006, she has been Member of the Trust of Tomillo Foundation and became the Managing Director of this non-profit institution in March 2008, and its Executive Chairwoman since 2014.

She has promoted comprehensive, social and environmental education initiatives through the Fundación Tomillo Tiétar, as well as the creation of collaborative networks to support youth entrepreneurship and self-employment, such as the Fundación Youth Business Spain, of which she was president until 2017 and continues to be a member of its Board of Trustees.

Since June 2011, Ms. García has been member of the Board of Directors of the Asociación Española de Fundaciones (AEF), and she is currently its Treasurer, and member of the Executive Committee.

Co-Founder and Patron of the Learning to Be Foundation since December 2018, which mission is to support those who educate and is currently a member of the boards of the Fundación Secretariado Gitano and the Xavier de Salas Foundation.

The Board of Directors of the Company considers that Ms. Carmen García de Andrés' training and experience provide her with highly valuable and useful knowledge for performing the duties thereof as a Director of the Company.

Suitability and merits

The Board of Directors has assessed and considered the experience, training and professional profile of the candidate, her merits and competence to hold the position of Director, and her experience and knowledge in the various industries and issues that are relevant for the Company.

In particular, the Board of Directors has considered very positively the experience of Ms. Carmen García de Andrés, highlighting her knowledge in the field of auditing, her broad experience in the area of corporate social responsibility, and his ability to contribute to strengthening the Company's strategy in this area.

By virtue thereof, the Board of Directors has come to a very favorable conclusion regarding the suitability of the candidate for holding the position, meeting the requirements of business and professional good standing and appropriate knowledge and experience for performing the duties thereof as a Director of the Company.

Moreover, and regardless of her recognized merits and personal capacity, the re-election of Ms. Carmen García de Andrés will maintain the number of women on the Board of Directors, in line with the Company's commitment to promoting the diversity of its Board.

Availability

It has been verified that the candidate is effectively available to provide the dedication required to hold the position of Director of the Company with the classification of independent Director.

Absence of disqualifications and conflicts

It has also been verified that the candidate has not incurred any grounds for disqualification, prohibition or permanent conflict of interest that would prevent the candidate from properly performing the duties thereof, or any of the circumstances contemplated in Article 12 of the Company's Regulations of the Board of Directors.

Class of Director

Ms. Carmen García de Andrés has been proposed based on the personal and professional characteristics thereof, with the Nominating, Compensation and Corporate Governance Committee and the Board of Directors itself having verified that the candidate is not currently involved in any of the circumstances provided for in Section 529 *duodecies*.4 of the Companies Act and that the candidate can hold the position without being influenced by relations with the Company or its Group, its significant shareholders or its officers, for which reason the candidate can be classified as an independent Director.

Therefore, Ms. García belongs to the class of independent Director.

Proposal of the Nominating, Compensation and Corporate Governance Committee

The proposal for re-election of Ms. Carmen García de Andrés as an independent Director of the Company comes from the Nominating, Compensation and Corporate Governance Committee, as appears in the report of such Committee dated March 10, 2021, which is attached as an exhibit to this report.

2.3 MR. IGNACIO MORENO MARTÍNEZ

Professional and biographical profile and noteworthy experience

Born in Santander, on 30th of July 1957.

Degree in Economics and Business Studies from the University of Bilbao. MBA from INSEAD.

He is currently Chairman of Metrovacesa, S.A., Director of Telefónica, S.A., Director of General Alquiler de Maquinaria, S.A. and member of the Board of Roadis Transportation Holdings SLU. Likewise, he is Senior Advisor of Apollo Investment Consulting Europe Ltd. for Spain.

Until October 2016 he was CEO of Metrovacesa, S.A.

In addition, he also served as General Manager of the Chairman's Office at Banco Bilbao Vizcaya Argentaria, S.A., CEO of Vista Capital Expansión, S.A., SGEGR Private Equity, and CEO of N+1 Private Equity.

He also served as Deputy General Manager of Corporate and Institutional Banking at Corporación Bancaria de España, S.A. – Argentaria, CEO of Desarrollo Urbanístico Chamartín, S.A. and Chairman of Argentaria Bolsa, Sociedad de Valores.

Previous posts include Head of Corporate Banking and Private Equity at Banco de Vizcaya, Banco Santander de Negocios, and Mercapital.

The Board of Directors of the Company considers that the training and experience of Mr. Ignacio Moreno Martínez provide him with highly valuable and useful knowledge for performing the duties thereof as a Director of the Company.

Suitability and merits

The Board of Directors has assessed and considered the experience, training and professional profile of the candidate, his merits and competence to hold the position of Director, and his experience and knowledge in the various industries and issues that are relevant for the Company.

By virtue thereof, the Board of Directors has come to a very favorable conclusion regarding the suitability of Mr. Ignacio Moreno Martínez for holding the position, meeting the requirements of business and professional good standing and appropriate knowledge and experience for performing his duties as a Director of the Company.

Availability

It has been verified that the candidate is effectively available to provide the dedication required to hold the position of Director of the Company with the classification of proprietary Director.

Absence of disqualifications and conflicts

It has also been verified that the candidate has not incurred any grounds for disqualification, prohibition or permanent conflict of interest that would prevent the candidate from properly performing the duties thereof, or any of the circumstances contemplated in Article 12 of the Company's Regulations of the Board of Directors.

Class of Director

Mr. Ignacio Moreno Martínez is proposed at the request of the shareholder Banco Bilbao Vizcaya Argentaria, S.A., the holder, as of December 31, 2020, of 4.96% of the voting rights regarding the share capital of the Company, for which reason he is classified as a proprietary Director.

Report of the Nominating, Compensation and Corporate Governance Committee

The favorable report of the Nominating, Compensation and Corporate Governance Committee dated March 10, 2021 on the proposed re-election of Mr. Moreno is attached to this report as an exhibit.

2.4 MR. FRANCISCO JOSÉ RIBERAS MERA

Professional and biographical profile and noteworthy experience

Born in Madrid on 1st of June 1964.

Degree in Law (1987) and in Economics and Business Administration (1988) from Comillas Pontifical University (ICADE E-3), Madrid.

He started his professional career at Gonvarri Group, where he held different positions such as Director of Corporate Development, and later he became the Chief Executive Officer. He promoted the creation of Gestamp Automoción in 1997 and has been since then its Chief Executive Officer, over time shaping what is now Gestamp, a global leader in metal components for the automotive industry.

He is member of the Board of Directors of Telefónica, CIE Automotive, General de Alquiler de Maquinaria (GAM). Moreover, he is part of the management bodies of certain companies of the Gestamp's Group and family holding companies Acek, including companies belonging to the Groups of Gonvarri, Acek Renewables Energy, Inmobiliaria Acek and Sideacero. Furthermore, he chairs the Spain-China Board Foundation, the Spain-China Business Advisory Board and the Endeavor Foundation in Spain. He has also been Chairman of the Instituto de Empresa Familiar from May 2018 to June 2020.

The Board of Directors of the Company considers that the training and experience of Mr. Francisco José Riberas Mera provide him with highly valuable and useful knowledge for performing the duties thereof as a Director of the Company.

Suitability and merits

The Board of Directors has assessed and considered the experience, training and professional profile of the candidate, his merits and competence to hold the position of Director, and his experience and knowledge in the various industries and issues that are relevant for the Company.

In particular, the Board of Directors has considered very positively the experience of Mr. Francisco José Riberas Mera, highlighting his track record as well as his knowledge and experience in the industrial, financial and business areas.

By virtue thereof, the Board of Directors has come to a very favorable conclusion regarding the suitability of the candidate for holding the position, meeting the requirements of business and professional good standing and appropriate

knowledge and experience for performing the duties thereof as a Director of the Company.

Availability

It has been verified that the candidate is effectively available to provide the dedication required to hold the position of Director of the Company with the classification of independent Director.

Absence of disqualifications and conflicts

It has also been verified that the candidate has not incurred any grounds for disqualification, prohibition or permanent conflict of interest that would prevent the candidate from properly performing the duties thereof, or any of the circumstances contemplated in Article 12 of the Company's Regulations of the Board of Directors.

Class of Director

Mr. Francisco José Riberas Mera has been proposed based on the personal and professional characteristics thereof, with the Nominating, Compensation and Corporate Governance Committee and the Board of Directors itself having verified that the candidate is not currently involved in any of the circumstances provided for in Section 529 *duodecies.4* of the Companies Act and that the candidate can hold the position without being influenced by relations with the Company or its Group, its significant shareholders or its officers, for which reason the candidate can be classified as an independent Director.

Therefore, Mr. Riberas belongs to the class of independent Director.

Proposal of the Nominating, Compensation and Corporate Governance Committee

The proposal for re-election of Mr. Francisco José Riberas Mera as an independent Director of the Company comes from the Nominating, Compensation and Corporate Governance Committee, as appears in the report of such Committee dated March 10, 2021, which is attached as an exhibit to this report.

3. PROPOSALS FOR RE-ELECTION AND FOR RATIFICATION AND APPOINTMENT OF DIRECTORS

For all of the foregoing reasons, the Board of Directors finds that Mr. José María Álvarez-Pallete López, Ms. Carmen García de Andrés, Mr. Ignacio Moreno Martínez and Mr. Francisco José Riberas Mera meet the requirements of good standing, suitability, caliber, competence, qualifications, training, availability, and commitment to duties required to hold the position, and have not incurred any grounds for disqualification, prohibition or permanent conflict of interest, or any of the grounds for removal contemplated in Article 12 of the Company's Regulations of the Board of Directors.

By virtue thereof, following a favorable report or at the proposal of the Nominating, Compensation and Corporate Governance Committee, the following proposals for re-election of Directors are made to the shareholders at the General Shareholders' Meeting of the Company:

“To re-elect Mr. José María Álvarez-Pallete López as Director for the bylaw-mandated term of four years, following a favorable report from the Nominating, Compensation and Corporate Governance Committee, with the classification of executive Director.

To re-elect Ms. Carmen García de Andrés as Director for the bylaw-mandated term of four years, following a proposal from the Nominating, Compensation and Corporate Governance Committee, with the classification of independent Director.

“To re-elect Mr. Ignacio Moreno Martínez as Director for the bylaw-mandated term of four years, following a favorable report from the Nominating, Compensation and Corporate Governance Committee, with the classification of proprietary Director.

To re-elect Mr. Francisco José Riberas Mera as Director for the bylaw-mandated term of four years, following a proposal from the Nominating, Compensation and Corporate Governance Committee, with the classification of independent Director.”

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Madrid, March 17, 2021



**REPORT OF THE NOMINATING, COMPENSATION AND CORPORATE
GOVERNANCE COMMITTEE OF TELEFÓNICA, S.A.**

REGARDING

**PROPOSALS FOR RE-ELECTION OF DIRECTORS TO BE SUBMITTED TO THE
SHAREHOLDERS AT THE GENERAL SHAREHOLDERS' MEETING**

March 10, 2021

Section 529 of the Companies Act (*Ley de Sociedades de Capital*) establishes that proposals for the appointment or re-election of the members of the Board of Directors must be accompanied by an explanatory report from the Board that assesses the competence, experience and merits of the candidate proposed; and will also be preceded, in the case of proposals for the appointment or re-election of any non-independent Director, by a report from the appointments and compensation committee.

Article 10.2 of the Regulations of the Board of Directors of Telefónica, S.A. (the "**Company**") provides that proposals for the appointment, re-election and ratification of Directors that the Board of Directors submits for consideration at the General Shareholders' Meeting, and the resolutions appointing Directors adopted by the Board of Directors itself pursuant to the powers attributed by law thereto, must be preceded by a corresponding report of the Nominating, Compensation and Corporate Governance Committee and, in the case of independent Directors, by a corresponding proposal.

In accordance with such article, in the case of re-election or ratification, the report or proposal from the Nominating, Compensation and Corporate Governance Committee will contain an evaluation of the work and effective dedication to the position during the last period of time in which the proposed Director held the position.

Lastly, Article 10.4 of the Regulations of the Board of Directors establishes that the outcome of the preliminary analysis of the skills required by the Board shall be set out in the explanatory report or proposal of the Nominating, Compensation and Corporate Governance Committee, to be published upon the call to the General Shareholders' Meeting at which the shareholders are to ratify the appointment or re-election of each Director.

In compliance with the foregoing requirements, the Nominating, Compensation and Corporate Governance Committee has approved this comprehensive report relating to the proposals for re-election of Directors, after the report or proposal, as applicable, of the Nominating, Compensation and Corporate Governance Committee, that will be submitted at the upcoming 2021 General Shareholders' Meeting of the Company, for purposes of generally explaining the context of such proposals and to reflect the prior analysis of the skills required by the Board of Directors.

1. APPLICATION OF THE DIRECTOR SELECTION POLICY

At its meeting of November 25, 2015, the Board of Directors approved a Director Selection Policy, which was updated on December 13, 2017 to include a Diversity Policy applicable to the Board of Directors, for which reason its name was changed to the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors. On December 16, 2020, the Board of Directors also approved an update of this Policy to conform it, particularly in terms of diversity, to the provisions of the Recommendations of the Code of Good Governance of the Spanish National Securities Market Commission, which was partially amended in June 2020.

Such Policy seeks to ensure that the procedures for selecting Directors are based on a prior analysis of the skills required by the Board of Directors and favor a diversity of knowledge, professional training and experience, disabilities, age and gender, ensuring that such proposals are free from any implicit bias entailing any kind of discrimination, particularly by reason of gender, disability or any other personal condition, and that they facilitate the selection of Directors in a number that allows for a balanced presence of women and men.

In this respect, the Board of Directors and the Nominating, Compensation and Corporate Governance Committee will ensure, within the scope of their respective powers, that the candidates chosen for the position of Director are persons of recognized caliber, qualifications and experience, who are willing to devote the time and effort required to perform their duties, taking special care in the selection of the persons to be appointed as Independent Directors.

In this regard, all candidates for the Company's Board of Directors must be upstanding professionals whose conduct and professional career are aligned with Telefónica's Business Principles. In addition, special consideration is given to candidates for Director with training and professional experience in telecommunications, technology, consumer knowledge, ESG knowledge, marketing, accounting, auditing, risk management (both financial and non-financial), with extra value placed on international experience and the leadership of teams at multinationals.

The Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors sets out the procedure for selecting the directors of the Company and establishes that the Board of Directors must perform an annual evaluation of its functioning and that of its Committees, particularly valuing the application of the various aspects of diversity set out in such Policy, as well as the performance of the Chairman of the Board of Directors, of the Company's Chief Executive Officer, and of the various Directors, paying special attention to the heads of the various Board Committees, and adopting appropriate measures for the improvement thereof.

The Nominating, Compensation and Corporate Governance Committee has verified that in the process of preparing and approving the proposals for re-election of Directors that it intends to submit to the shareholders at the General Shareholders' Meeting, the provisions of the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors have been complied with and a suitable and rigorous procedure has been followed to ensure that the proposals formulated by both the Board of Directors and the Nominating, Compensation and Corporate Governance Committee

(with respect to the proposals affecting independent Directors) are in the best interest of the Company.

2. PROPOSALS RELATING TO THE COMPOSITION OF THE BOARD OF DIRECTORS

The proposals for re-election of Directors that will be submitted at the upcoming General Shareholders' Meeting, for which reports (for the non-independent Directors) and proposals (regarding the Independent Directors) have been prepared by the Nominating, Compensation and Corporate Governance Committee, are as follows:

- Re-election of the Director Mr. José María Álvarez-Pallete López as an executive Director for a new four-year period.
- Re-election of the Director Ms. Carmen García de Andrés as an independent Director for a new four-year period.
- Re-election of the Director Mr. Ignacio Moreno Martínez as a proprietary Director for a new four-year period.
- Re-election of the Director Mr. Francisco José Riberas Mera as an independent Director for a new four-year period.

3. ANALYSIS OF THE COMPOSITION OF THE BOARD OF DIRECTORS AND SKILLS REQUIRED BY THIS BODY

3.1 The Board of Directors

Pursuant to the provisions of the Law and the Bylaws, the Board of Directors is the highest managing and representative body of the Company and is therefore empowered to perform, within the scope of the corporate purpose defined in the Bylaws, any acts or legal transactions of administration and disposition, by any legal means, except for those reserved by the Law or the Bylaws to the sole jurisdiction of the shareholders at a General Shareholders' Meeting.

Notwithstanding the foregoing, the Board of Directors is basically configured as a supervisory and control body that entrusts the ordinary management of the Company's business to the executive bodies and the management team.

The Board of Directors is currently composed of seventeen Directors, of whom two are executive directors and the rest non-executive directors. Of the non-executive Directors, nine are considered independent, which means that the majority of the Board of Directors is made up of Independent Directors. In addition, there are five women sitting on the Board of Directors, in keeping with the Company's commitment to promoting diversity on its Board.

3.2 Evaluation of the Board of Directors, its Committees and its members

On an annual basis, all of the Company's Directors evaluate the operation of Telefónica, S.A.'s Board of Directors, of its Committees and of the General Shareholders' Meeting. Every three years, this evaluation is also performed with the assistance of an external consultant, the independence of which is verified by the Nominating, Compensation and Corporate Governance Committee. For the evaluation of the Board of Directors corresponding to the fiscal year 2017, the Company was assisted by the external advisor Villafañe & Asociados Consultores; the evaluations corresponding to the fiscal years 2018 and 2019 were carried out internally by the Company, without the support of an external advisor; and for the evaluation corresponding to the fiscal year 2020, the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, has been assisted by the consulting firm Egon Zehnder, as external advisor.

This evaluation process has consisted of the completion by each of the Directors of the corresponding evaluation questionnaires, as well as individual interviews conducted by the consulting firm Egon Zehnder with each of them in order to assess and ascertain the opinions of the Board Members on the issues and aspects covered by the evaluation.

The questionnaires contained a wide range of questions, grouped into the following five sections: i) structure and composition of the Board of Directors; ii) operation of the Board of Directors; iii) rights and duties of the Directors, expressly including the performance and the contribution of the Directors, including the Executive Directors, to the Board of Directors; iv) Committees of the Board of Directors, including questions relating to the composition and operation of each of the Committees and the performance and contribution of their respective Chairs; and v) General Shareholders' Meeting and stakeholders.

Upon the conclusion of this process, the Egon Zehnder Consulting Firm issued a corresponding Report, which was submitted to the Nominating, Compensation and Corporate Governance Committee for review and analysis. At its meeting held on January 26, 2021, the Nominating, Compensation and Corporate Governance Committee reviewed and analyzed the results of this evaluation, concluding in general terms that the Directors reported a high degree of satisfaction with the organization and activities of such governance bodies. The aforementioned Report on results of the 2020 evaluation was submitted by Egon Zehnder to the Company's Board of Directors at its meeting held on January 27, 2021, and made available to all the Directors.

After a detailed examination and analysis of the results achieved, the Company's Board of Directors, upon a proposal of the Nominating, Compensation and Corporate Governance Committee, has established an Action Plan for the implementation of the suggestions and recommendations deemed appropriate in order to optimize the operation of the Company's corporate governance system.

3.3 Overall rationale

In reviewing or preparing, as appropriate, the proposals for re-election, the Nominating, Compensation and Corporate Governance Committee has taken into account all of the above aspects, as well as the suitability of the Directors' professional profiles to the scope of the Company's business and its international nature, and the skills required by the Board of Directors to be able to effectively perform its supervisory and control functions.

In this respect, the professional experience, training and profile of the Directors whose re-election is submitted to the shareholders for approval at the General Shareholders' Meeting evidences in all cases their merits and competence to hold the position of Director, and their experience and knowledge in industries and matters that are diverse and relevant for the Company, which ensures the quality of debate within the Board of Directors.

The Nominating, Compensation and Corporate Governance Committee has particularly evaluated (i) the contribution of the Directors whose re-election is proposed to the sound functioning of the Board of Directors and to the effective performance of its supervisory and control duties, (ii) the proposals for re-election of Directors by the shareholders at the General Shareholders' Meeting, which, moreover, lead to maintaining a majority of independent Directors and to maintaining the number of women on the Board, and (iii) the fulfillment by all of the Directors of the requirements of good standing, suitability, caliber, competence, qualifications, training, availability and commitment to the duties required to hold the position, and the fact that none of them are subject to any ground for disqualification, prohibition or permanent conflict of interest or any of the grounds for removal contemplated in Article 12 of the Company's Regulations of the Board of Directors.

In any event, the Nominating, Compensation and Corporate Governance Committee has verified that the proposals for re-election of Directors relate to persons of recognized caliber, competence and experience, who are willing to devote the time and effort required to perform their duties, taking special care in the selection of the persons to be appointed as Independent Directors.

All Directors whose re-election is proposed are also upstanding professionals whose conduct and professional career are aligned with Telefónica's Business Principles.

By virtue thereof, following the detailed analysis of the skills required by the Board of Directors, considering the shareholder structure of the Company, the diversity of knowledge, experience, age and gender, and the resulting composition of the Board of Directors, the Nominating, Compensation and Corporate Governance Committee considers that the proposals for re-election of Directors to be submitted to the shareholders at the General Shareholders' Meeting are suitable and in the best interest of the Company.

4. PROPOSALS OF THE NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE REGARDING THE RE-ELECTION OF INDEPENDENT DIRECTORS

In accordance with Section 529 *decies.4* of the Companies Act, with Article 10.2 of the Regulations of the Board of Directors and with the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors, proposals for re-election of Independent Directors must come from the Nominating, Compensation and Corporate Governance Committee.

In this respect, it is stated for the record that the Nominating, Compensation and Corporate Governance Committee of the Company makes the following proposals for re-election of Independent Directors:

The Nominating, Compensation and Corporate Governance Committee proposes the re-election of Ms. Carmen García de Andrés and of Mr. Francisco José Riberas Mera as Independent Directors for the bylaw-mandated term of four years.

With respect to these proposals, the Nominating, Compensation and Corporate Governance Committee has evaluated in detail the professional and personal profiles of the candidates, the fulfillment of the requirements of business and professional good standing, that their knowledge, competences and experience are suitable to perform their duties as Directors of the Company and that they have the capacity to properly devote themselves to discharging their office and to effectively contribute to the governance bodies of the Company so that they may perform their duties with the highest standards of quality and efficiency.

➤ **MS. CARMEN GARCÍA DE ANDRÉS**

Professional and biographical profile and noteworthy experience

Born in Madrid on 15th of December 1962.

She holds a degree in Economic and Business Sciences from Universidad Pontificia de Comillas, ICADE.

Currently, Ms. García is Chairwoman of Tomillo Foundation.

She joined PricewaterhouseCoopers (Coopers & Lybrand Legacy) in 1985, being promoted as Head officer in 1995 and Associate in 2000. Since then, she held various leadership positions at Ladwell -Abogados y Asesores Fiscales as well as at PwC. Ms. García is specialized in advice of large companies, and she has been representative of the Spanish brand at the International Specialist Group in Indirect Taxation for more than six years. Since 1998, she has been counseling international companies established in Spain with a major worldwide involvement. She has been an International Taxation professor at ESADE during this period and a member of the Spanish Association of Tax Advisors.

Since 2004 until 2007, she has been Managing Partner of the Gran Consumo, Distribución, Industria y Servicios Group of Madrid with more than 30 experts in legal and taxation areas. Likewise, during the years 2005 and 2007, she was responsible of Diversity Program, Women in PwC. Since then, she has collaborated as a mentor in professional development programmes for women, such as the Lidera Programme and MET (Women, Business and Technology) of the Instituto de Empresa, Promociona and Women to Watch.

Since 2006, she has been Member of the Trust of Tomillo Foundation and became the Managing Director of this non-profit institution in March 2008, and its Executive Chairwoman since 2014.

She has promoted comprehensive, social and environmental education initiatives through the Fundación Tomillo Tiétar, as well as the creation of collaborative networks to support youth entrepreneurship and self-employment, such as the Fundación Youth Business Spain, of which she was president until 2017 and continues to be a member of its Board of Trustees.

Since June 2011, Ms. García has been member of the Board of Directors of the Asociación Española de Fundaciones (AEF), and she is currently its Treasurer, and member of the Executive Committee.

Co-Founder and Patron of the Learning to Be Foundation since December 2018, which mission is to support those who educate and is currently a member of the boards of the Fundación Secretariado Gitano and the Xavier de Salas Foundation.

The Nominating, Compensation and Corporate Governance Committee finds that the training and experience of Ms. Carmen García de Andrés gives her quite valuable and useful knowledge for the performance thereby as a Director of the Company.

Suitability and merits

The Nominating, Compensation and Corporate Governance Committee has assessed and considered the experience, training and professional profile of the candidate, the merits and competence thereof to hold the position of Director, and the experience and knowledge thereof in the various industries and issues that are relevant for the Company.

In particular, the Nominating, Compensation and Corporate Governance Committee has considered very positively the experience of Ms. Carmen García de Andrés, highlighting her knowledge in the field of auditing, her broad experience in the area of corporate social responsibility, and his ability to contribute to strengthening the Company's strategy in this area.

By virtue thereof, the Nominating, Compensation and Corporate Governance Committee has come to a very favorable conclusion regarding the suitability of the candidate for holding the position, meeting the requirements of business and professional good standing and appropriate knowledge and experience for performing the duties thereof as a Director of the Company.

Moreover, and regardless of her recognized merits and personal capacity, the re-election of Ms. Carmen García de Andrés will maintain the number of women on the Board of Directors, in line with the Company's commitment to promoting the diversity of its Board.

Availability

It has been verified that the candidate is effectively available to provide the dedication required to hold the position of Director of the Company, with the classification of Independent Director.

Absence of disqualifications and conflicts

It has also been verified that the candidate has not incurred any grounds for disqualification, prohibition or permanent conflict of interest that would prevent the candidate from properly performing the duties thereof, or any of the circumstances contemplated in Article 12 of the Company's Regulations of the Board of Directors.

Class of director

Ms. Carmen García de Andrés has been proposed based on the personal and professional characteristics thereof, with the Nominating, Compensation and Corporate Governance Committee having verified that the candidate is not currently involved in any of the circumstances provided for in Section 529 *duodecies*.4 of the Companies Act and that the candidate can hold the position without being influenced by relations with the Company or its Group, its significant shareholders or its officers, for which reason the candidate can be classified as an Independent Director.

Therefore, Ms. García belongs to the class of Independent Director.

➤ **MR. FRANCISCO JOSÉ RIBERAS MERA**

Professional and biographical profile and noteworthy experience

Born in Madrid on 1st of June 1964.

Degree in Law (1987) and in Economics and Business Administration (1988) from Comillas Pontifical University (ICADE E-3), Madrid.

He started his professional career at Gonvarri Group, where he held different positions such as Director of Corporate Development, and later he became the Chief Executive Officer. He promoted the creation of Gestamp Automoción in 1997 and has been since then its Chief Executive Officer, over time shaping what is now Gestamp, a global leader in metal components for the automotive industry.

He is member of the Board of Directors of Telefónica, CIE Automotive, General de Alquiler de Maquinaria (GAM). Moreover, he is part of the management bodies of certain companies of the Gestamp's Group and family holding companies Acek, including companies belonging to the Groups of Gonvarri, Acek Renewables

Energy, Inmobiliaria Acek and Sideacero. Furthermore, he chairs the Spain-China Board Foundation, the Spain-China Business Advisory Board and the Endeavor Foundation in Spain. He has also been Chairman of the Instituto de Empresa Familiar from May 2018 to June 2020.

The Nominating, Compensation and Corporate Governance Committee finds that the training and experience of Mr. Francisco José Riberas Mera gives him quite valuable and useful knowledge for the performance thereby as a Director of the Company.

Suitability and merits

The Nominating, Compensation and Corporate Governance Committee has assessed and considered the experience, training and professional profile of the candidate, the merits and competence thereof to hold the position of Director, and the experience and knowledge thereof in the various industries and issues that are relevant for the Company.

In particular, the Nominating, Compensation and Corporate Governance Committee has considered very positively the experience of Mr. Francisco José Riberas Mera, highlighting his track record as well as his knowledge and experience in the industrial, financial and business areas.

By virtue thereof, the Nominating, Compensation and Corporate Governance Committee has come to a very favorable conclusion regarding the suitability of the candidate to hold the position, meeting the requirements of business and professional respectability and appropriate knowledge and experience for performing the duties thereof as a Director of the Company.

Availability

It has been verified that the candidate is effectively available to provide the dedication required to hold the position of Director of the Company, with the classification of independent Director.

Absence of disqualifications and conflicts

It has also been verified that the candidate has not incurred any grounds for disqualification, prohibition or permanent conflict of interest that would prevent her from properly performing her duties, or any of the circumstances contemplated in Article 12 of the Company's Regulations of the Board of Directors.

Class of director

Mr. Francisco José Riberas Mera has been proposed based on the personal and professional characteristics thereof, with the Nominating, Compensation and Corporate Governance Committee having verified that the candidate is not currently involved in any of the circumstances provided for in Section 529 *duodecies.4* of the Companies Act and that the candidate can hold the position without being influenced by relations with the Company or its Group, its significant

shareholders or its officers, for which reason the candidate can be classified as an Independent Director.

Therefore, Mr. Riberas belongs to the class of Independent Director.

5. REPORTS OF THE NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE ON THE PROPOSALS FOR RE-ELECTION OF NON-INDEPENDENT DIRECTORS

In accordance with Section 529 *decies*.6 of the Companies Act, with Article 10.2 of the Regulations of the Board of Directors and with the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors, proposals for re-election of non-independent Directors must be preceded by the corresponding report from the Nominating, Compensation and Corporate Governance Committee.

For these purposes, the Nominating, Compensation and Corporate Governance Committee issues the following report on the proposals for re-election, for a new four-year period, of the Directors Mr. José María Álvarez-Pallete López, with the status of Executive Director, and Mr. Ignacio Moreno Martínez, with the classification of Proprietary Director.

➤ **MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ**

Evaluation of the performance of Mr. José María Álvarez-Pallete López

The Nominating, Compensation and Corporate Governance Committee has analyzed the quality of work as Director and the contribution of Mr. José María Álvarez-Pallete López to the Board of Directors since his first appointment in 2006, and particularly during his most recent term in office (after his re-election at the General Shareholders' Meeting held on June 9, 2017).

It has also taken into account the dedication of Mr. José María Álvarez-Pallete López to holding the position of Director of the Company, as well as his knowledge, skills and experience, which in the opinion of this Nominating, Compensation and Corporate Governance Committee allow him to properly perform his duties.

As a result of all of the foregoing, the Nominating, Compensation and Corporate Governance Committee has concluded that Mr. Álvarez-Pallete has performed his duties as Executive Chairman in an excellent manner, contributing to the corporate bodies of the Company having engaged in their activities in a coordinated and effective manner, performing his duties with the quality, professionalism and dedication required for the full effectiveness thereof.

Evaluation of the conditions required to hold the position

The Nominating, Compensation and Corporate Governance Committee has also assessed the conditions necessary for holding the position of Director of the Company by Mr. José María Álvarez-Pallete López, including those relating to his

status, training, professional experience and suitability, upon the terms set out below.

- **Appointment and classification**

Mr. José María Álvarez-Pallete López is currently the Executive Chairman of Telefónica, S.A., and therefore is an Executive Director.

- **Training and professional experience**

Born in Madrid, in 1963.

Mr. Álvarez-Pallete has a degree in Economics from the Complutense University of Madrid. He also studied Economics at the Université Libre de Brussels (Belgium), holds an International Management Programme (IMP) from IPADE Business School and an Advance Research Degree from the Complutense University of Madrid.

In February 1999 he joined the Telefónica Group as Chief Financial Officer of Telefónica Internacional S.A.U., and in September of the same year he became Chief Financial Officer of Telefónica S.A. In July 2002, he was appointed Executive Chairman of Telefónica Internacional S.A.; in July 2006, General Manager of Telefónica Latinoamérica, and in March 2009 Chairman of Telefónica Latinoamérica. In September 2011 he was named Executive Chairman of Telefónica Europe. And in September 2012 he was appointed Chief Operating Officer of Telefónica S.A.

Since April 8 th 2016 he is Chairman & CEO of Telefónica S.A. and Member of the Board of Telefónica S.A., position he holds since July 2006. Since March 2019 he is member of the Advisory Council of SEAT, S.A.

He began his professional career at Arthur Young Auditors in 1987, before joining Benito & Monjardín/Kidder, Peabody & Co. in 1988. After this, in 1995, he joined the Compañía Valenciana de Cementos Portland (CEMEX) as head of the Investor Relations and Analysis Department. In 1996, he was promoted to Chief Financial Officer in Spain, and in 1998 to Chief Administration and Finance Officer of the CEMEX Group Indonesia and to member of the Board of CEMEX Asia Ltd.

In 2001 he was granted the best “CFO Europe Best Practices” award in the Mergers & Acquisitions category for the year 2000. In 2003, he was appointed Member of Merit at the Ibero-American Forum of the Fundación Carlos III and in 2007 he was awarded with the Gold Master of the Executive Management Forum. In 2011 he received the Personality of the Year in Economics Award, given by the Spanish newspaper “El Economista”. In 2013 he received the Excellence 2013 Award, for his contribution to the development of telecommunications, granted by the Spanish Telecommunication Engineers Association. In 2014, Mr. ÁlvarezPallete received the Medalla Sorolla by The Hispanic Society of America, he was named Innovative Corporate Leader of the Year by Latin Trade Magazine and the magazine FastCompany included

him in its "100 Most Creative People in Business 2014". In 2016 he was named "Best CEO" in Spain by Forbes Magazine and the Consejo Superior de Deportes granted him the entry in the Royal Order of Merit Sports in the category of Bronze Medal. In 2019 he was granted with the Cross of Military Merit with white distinction, he received the "Manager of the Year" award in the Large Corporations category granted by the Asociación Española de Directivos, and was chosen "Business Leader of the Year" by the Spain-US Chamber of Commerce. In 2020 he was awarded with the ECOFIN prize for "Financiero del Año" and the Spanish Marketing Association has named him "Lider Empresarial Impulso del Marketing".

In 2021, he has been appointed Honorary Ambassador of Leading Brands of Spain Forum.

- **Suitability**

The Nominating, Compensation and Corporate Governance Committee has verified and confirmed the suitability of Mr. José María Álvarez-Pallete López to hold the position, meeting the requirements of business and professional respectability and appropriate knowledge and experience for performing the duties thereof as a Director of the Company.

In this regard, the Committee has evaluated the achievements of Mr. José María Álvarez-Pallete López throughout his terms as Executive Director, contributing quite prominently to the transformation of the Telefónica Group, developing leading digital infrastructures and platforms in Europe and Latin America, promoting a new strategy based on digitalization, and preparing the company to capture the opportunities of the new digital world.

He has also established the priorities of the evolution towards the New Telefónica, strengthening its positioning in key countries for the Group, modulating exposure to Latin America, launching new leading technology units in key areas such as Cloud, Cybersecurity, IoT and Big Data, strengthening the value of unique infrastructures, driving alternative deployment models, and advancing the transformation of the operational model to become a much more agile company.

Furthermore, the Committee has especially appreciated his pioneering and innovative technology vision, which has made him a leader both within and outside the industry as well as an international business leader, and has taken into account his ability to drive a human-centric vision of digitalisation. He is recognized both within and outside of the industry for his leadership in the debate on the safe and ethical use of data in this new economy and his proposal for a new digital bill of rights to ensure that no one is left behind in the transition to the digital economy. His commitment to ESG is also noteworthy because it is the only way to have a positive long-term impact, generating value for all stakeholders.

The Committee also notes his tenacity, dedication and commitment at the personal level, together with his conciliatory nature and sensitivity towards

society in general. It finds that all of this, along with his skills to lead and motivate teams, allows him to perform his duties in a very effective manner.

Therefore, the Committee finds that Mr. José María Álvarez-Pallete López has the knowledge, experience and professional background necessary to lead the Telefónica Group and to meet the challenges facing the Company in the coming years, especially in the telecommunications industry at the domestic, European and global levels. He is widely recognized for his leadership skills and for addressing the tremendous challenges and opportunities relating to continuous innovation and technological disruption.

- **Conclusion**

As a result of all of the foregoing, based on the performance of the candidate and the personal and professional qualifications thereof, the Nominating, Compensation and Corporate Governance Committee finds that Mr. José María Álvarez-Pallete López has sufficient knowledge and experience to hold the position of Director and meets the suitability requirements applicable thereto, all in view of his position as Executive Chairman of the Company, for which reason it has resolved to submit a favorable report thereon to the Board of Directors to propose to the shareholders at the Company's General Shareholders' Meeting the re-election thereof as Director for the bylaw-mandated four-year period with the classification of Executive Director.

➤ **MR. IGNACIO MORENO MARTÍNEZ**

Evaluation of the performance of Mr. Ignacio Moreno Martínez

The Nominating, Compensation and Corporate Governance Committee has analyzed the quality of work as Director and the contribution of Mr. Ignacio Moreno Martínez to the Board of Directors since his first appointment in December 2011 (appointment ratified by the shareholders at the General Shareholders' Meeting held on May 14, 2012), and particularly during his latest term in office (after his re-election at the General Shareholders' Meeting held on June 9, 2017).

It has also taken into account the dedication of Mr. Ignacio Moreno Martínez to holding the position of Director of the Company, as well as his knowledge, skills and experience, which in the opinion of this Nominating, Compensation and Corporate Governance Committee allow him to properly perform his duties.

As a result of all of the foregoing, the Nominating, Compensation and Corporate Governance Committee has concluded that Mr. Moreno has quite satisfactorily performed his duties as Director, contributing to the corporate bodies of the Company having a balanced composition that is suitable to the needs thereof, and providing significant cooperation for them to be able to perform their duties with the quality, professionalism and dedication required for the full effectiveness thereof.

Evaluation of the conditions required to hold the position

The Nominating, Compensation and Corporate Governance Committee has also assessed the conditions necessary for holding the position of Director of the Company by Mr. Ignacio Moreno Martínez, including those relating to his status, training, professional experience and suitability, upon the terms set out below.

- **Appointment and classification**

Mr. Ignacio Moreno Martínez is re-elected at the proposal of Banco Bilbao Vizcaya Argentaria, S.A., the holder, as of December 31, 2020, of 4.96% of the voting rights regarding the share capital of the Company, for which reason he is classified as a Proprietary Director.

- **Training and professional experience**

Born in Santander, on 30th of July 1957.

Degree in Economics and Business Studies from the University of Bilbao. MBA from INSEAD.

He is currently Chairman of Metrovacesa, S.A., Director of Telefónica, S.A., Director of General Alquiler de Maquinaria, S.A. and member of the Board of Roadis Transportation Holdings SLU. Likewise, he is Senior Advisor of Apollo Investment Consulting Europe Ltd. for Spain.

Until October 2016 he was CEO of Metrovacesa, S.A.

In addition, he also served as General Manager of the Chairman's Office at Banco Bilbao Vizcaya Argentaria, S.A., CEO of Vista Capital Expansión, S.A., SGEGR Private Equity, and CEO of N+1 Private Equity.

He also served as Deputy General Manager of Corporate and Institutional Banking at Corporación Bancaria de España, S.A. – Argentaria, CEO of Desarrollo Urbanístico Chamartín, S.A. and Chairman of Argentaria Bolsa, Sociedad de Valores.

Previous posts include Head of Corporate Banking and Private Equity at Banco de Vizcaya, Banco Santander de Negocios, and Mercapital.

- **Suitability**

The Nominating, Compensation and Corporate Governance Committee has verified and confirmed the suitability of Mr. Ignacio Moreno Martínez to hold the position, meeting the requirements of business and professional respectability and appropriate knowledge and experience for performing the duties thereof as a Director of the Company.

- **Conclusion**

As a result of all of the foregoing, based on the performance of the candidate and the personal and professional qualifications thereof, the Nominating, Compensation and Corporate Governance Committee finds that Mr. Ignacio Moreno Martínez has sufficient knowledge and experience to hold the position of Director and meets the suitability requirements applicable thereto, for which reason it has resolved to submit a favorable report thereon to the Board of Directors to propose to the shareholders at the Company's General Shareholders' Meeting the re-election thereof as a Director for the bylaw-mandated four-year period with the classification of Proprietary Director.

6. CONCLUSION

As a result of all the foregoing, having regard to the shareholder structure of the Company, to the skills that its corporate bodies currently have, to the current and projected structure, size and composition of the Board of Directors, and to the personal and professional qualities of the candidates, the Nominating, Compensation and Corporate Governance Committee considers that the proposals for re-election of Directors to be submitted at the next General Shareholders' Meeting are suitable and in the best interest of the Company.

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Madrid, March 10, 2021