



# **DIVERSITY POLICY IN RELATION TO THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A. AND THE SELECTION OF DIRECTORS**

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Corporate Rule

Approved by the Board of Directors at its meeting of November 25, 2015. Updated on  
December 13, 2017 and December 16, 2020

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## **DIVERSITY POLICY IN RELATION TO THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A. AND THE SELECTION OF DIRECTORS**

### **Introduction.**

On February 18, 2015, the Board of Directors of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (“CNMV”) approved a Good Governance Code for Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*) that was partially amended in June 2020 (“GGC”).

Recommendation 14 of the aforementioned Good Governance Code provides that *“the Board of Directors shall approve a policy aimed at promoting an appropriate composition of the board that: a) is concrete and verifiable; b) ensures that appointment or re-election proposals are based on a prior analysis of the skills required by the board; and c) favors a diversity of knowledge, experience, age and gender.”*

Furthermore, Royal Decree-law 11/2018 of November 28, amending the Commercial Code, the restated text of the Companies Act approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on the Auditing of Financial Statements in regard to non-financial information and diversity was published in the Official Gazette (*Boletín Oficial del Estado*) on November 29, 2018.

In this regard, pursuant to the new text of section 540.4.c, sub-section 6, of the Companies Act, listed companies must include in their Annual Corporate Governance Report *“a description of the diversity policy applied in relation to the Board of Directors, the management and the specialized Committees created therein regarding issues such as age, gender, disability and the professional training and experience of its members; including the objectives of such diversity policy, the measures adopted, how they have been implemented, and particularly the procedures for including within the Board of Directors a number of women that allows for an equal balance of men and women and the results in the reporting period, as well as any measures approved by the Appointments Committee with respect to these matters.”*

In this context, at its meeting held on December 16, 2020, the Board of Directors of Telefónica, S.A. (hereinafter, “Telefónica” or the “Company”) approved this update of its “Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors” (the first version of which was approved on November 25, 2015 and updated on December 13, 2017).

## **I. Purpose.**

The Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the Selection of Directors (hereinafter, the “Policy”) is intended to ensure that procedures for the selection of Directors are based on a prior analysis of the competencies required by the Company’s Board of Directors and favor a diversity of knowledge, training and professional experience, age, disability 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 facilitate the selection of female Directors in a number that allows the achievement of an equal balance of women and men.

For such purpose, the Policy shall apply to the selection of candidates for Director who are natural persons, and if the candidates for Director are legal persons, the provisions of this Policy shall apply to the natural persons who act in representation thereof.

This diversity Policy shall also apply to the appointment of members of the Boards of Directors of companies in which Telefónica holds an interest.

## **II. Promotion of Diversity in the Composition of the Board of Directors of Telefónica.**

The selection of candidates for Director of Telefónica shall adhere to the following principles:

1. Efforts shall be made for the Board of Directors to have a balanced composition, with a large majority of non-Executive Directors and an appropriate mix of Proprietary and Independent Directors, while also endeavoring to ensure that Independent Directors have sufficient weight within the Board of Directors.
2. The Board of Directors shall endeavor to ensure that the Director selection procedures favor diversity of knowledge, training, professional experience, age and gender, and are free from any implicit bias entailing any kind of discrimination. All of the foregoing is in order for the Board of Directors to have an appropriate, diverse and balanced composition overall, which i) enriches analysis and debate, ii) contributes multiple viewpoints and positions, iii) favors decision-making taking into account the nature and complexity of the business, as well as the social and environmental context, iv) gives it maximum independence, and v) allows for compliance with legal

requirements and good governance recommendations in relation to composition and suitability required to be met by the members of the various internal oversight Committees of the Board of Directors.

In particular, the Company's Board of Directors shall promote the aim of inclusion of female Directors, as well as measures that promote the Company having a significant number of female senior executive officers based on good governance recommendations, all without prejudice to the key principles of merit and ability that must govern all of the Company's staff selection processes.

The Board of Directors shall regularly evaluate the degree of compliance and effectiveness of this Policy and, in particular, the percentage of female directors at any given time. In addition, the Annual Corporate Governance Report will include a detailed description of this Policy, as well as the objectives set in this regard and the results achieved.

2. The process for selecting candidates for Director shall also be based on a prior analysis of the skills required by the Board of Directors. Such analysis must be performed by the Company's Board of Directors, with the advice and with the required report or proposal, if applicable, of the Nominating, Compensation and Corporate Governance Committee.

3. In the case of re-election or ratification, the report or proposal of the Nominating, Compensation and Corporate Governance Committee shall contain an evaluation of the work and effective dedication to the position for the most recent period of time during which the proposed Director has been in that position, as well as the Director's ability to continue to perform satisfactorily.

4. Such report or proposal of the Nominating, Compensation and Corporate Governance Committee shall be published upon occasion of the call to the General Shareholders' Meeting at which the ratification, appointment or re-election of each Director is submitted.

### **III. Candidates for Director.**

The Board of Directors and the Nominating, Compensation and Corporate Governance Committee shall ensure, within the scope of their respective powers, that the candidates chosen for the position of Director are persons of recognized caliber, qualifications, training and professional experience, who are willing to devote a sufficient portion of their time and the required effort to the performance of their

duties, and shall take extreme care in the selection of the persons to be appointed as Independent Directors.

All candidates for Director shall be professionals of integrity, whose conduct and professional career is in line with Telefónica's Responsible Business Principles.

Candidates for Director shall be considered in particular if they have professional experience, in telecommunications, technology, consumer awareness, ESG knowledge, marketing, accounting, auditing, risk management (both financial and non-financial) and international experience and team leadership in multinationals will be valued.

They may not be Directors, and must tender their resignation to the Board of Directors and formalize, where appropriate, and depending on the circumstances, such resignation, in the following cases:

a) When they cease to hold the executive positions to which their appointment as Directors is linked, or when the reasons for which they were appointed as Directors no longer exist.

b) When they are affected by any of the cases of disqualification or prohibition established by law.

c) When they are severely reprimanded by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfill any of their obligations as Directors.

Likewise, Directors must inform when they are subject to circumstances, whether or not related to their conduct within the Company itself, that may adversely affect the standing or reputation thereof, and particularly when they are under investigation in any criminal matter, in which case the Directors must notify the Company of the progress of any such legal proceedings. The Board of Directors, having been informed of or otherwise aware of these situations, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nominating, Compensation and Corporate Governance Committee, on the measures to be adopted, including the request for the resignation of the Board member, who must accept this, or the proposal to remove him/her at the next General Shareholders' Meeting.

The foregoing requirements shall apply to all members of the Company's Board of Directors regardless of their category within the Board. In addition, candidates for

Independent Directors must meet the independence requirements provided by Law and by the good corporate governance rules of Telefónica, and the Nominating, Compensation and Good Governance Committee shall also analyze whether the candidate will be able to discharge the duties thereof without being constrained by the candidate's relationships with the Company or its Group or the significant shareholders or senior executive officers thereof.

Candidates shall also meet the other requirements established by Law, the By-Laws of the Company, the Regulations of the Board of Directors and good governance recommendations adopted by the Company for the proper performance of the position, and particularly those relating to the duty of diligence and loyalty, with an evaluation of to be made of any potential conflicts of interest.

#### **IV. Performance Evaluation.**

The Board of Directors must undertake an annual evaluation of its operations and that of its Committees, particularly evaluating the application of the various aspects of diversity contained in this Policy in the composition and powers of the Board of Directors, 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 Committees of the Board, and shall adopt appropriate measures for the improvement thereof.

The results of the evaluation shall be recorded in the minutes of the meeting or included therein as an attachment.

The evaluation of the various Committees shall be based on the report that they submit to the Board of Directors, and that of the Board of Directors shall be based on the report submitted thereto by the Nominating, Compensation and Corporate Governance Committee.

Every three years, the Board of Directors shall be assisted in performing the evaluation by an external consultant, the independence of which shall be verified by the Nominating, Compensation and Corporate Governance Committee.

The business relationships of the consultant or any company of its group with the Company or with any company of its Group must be disclosed in the Annual Corporate Governance Report.

The process and areas evaluated shall be described in such Annual Corporate Governance Report.

## **V. Supervision and Distribution of the Policy.**

The Nominating, Compensation and Corporate Governance Committee shall annually verify compliance with this Policy and shall report hereon in the Annual Corporate Governance Report and in such other documents as are deemed appropriate.

The Nominating, Compensation and Corporate Governance Committee may also propose to the Board of Directors any updates and proposed improvements of the Policy it deems appropriate.

This Policy will be published on Telefónica's corporate website, as well as on the Company's Global Intranet.

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