

# Policy for the elaboration and organisation of the Regulatory Framework of the Telefónica Group

Telefónica, S.A.

Telefónica, S.A.  
Approved by the Board of Directors of Telefónica S.A

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## 1. Explanatory Memorandum and Purpose of the Policy

The purpose of this Policy is to establish common mandatory bases for the elaboration (approval, modification / update, monitoring, derogation, and communication) and organisation of its internal regulatory framework (henceforth, the “Regulatory Framework”). Thus, the following are the objectives of this policy:

- To establish the basic principles that govern the Regulatory Framework of the Telefónica Group in terms of its classification, hierarchy, and basic guidelines regarding content and structure.
- To guide regarding the criteria for the elaboration of regulatory texts of an internal nature for the Telefónica Group (henceforth, “Internal Regulations”), promoting the existence of a single culture at a Telefónica Group level.
- To assign clear and defined responsibilities in said process of elaboration and organisation of the Regulatory Framework.
- To ensure that any subsequent action organises, systematises, consolidates, and simplifies the Regulatory Framework of the Telefónica Group, thus avoiding the unnecessary or redundant proliferation of provisions.

## 2. Scope of Application

The present Policy has the nature of corporate regulation, according to the classification defined in the following section, and is therefore applicable to Telefónica, S.A. and those companies in which Telefónica, S.A. directly or indirectly holds a majority of the shares, securities, or voting rights, or in whose governing or administrative body it has appointed or has the power to appoint the majority of its members, in such a way that it has effective control of the company (henceforth, Telefónica, S.A. or any of the companies individually, the “Company”, and collectively all of them, the “Telefónica Group” or “Group”).

In its condition of parent company of the Group, Telefónica, S.A. is in charge of establishing the bases, instruments, and mechanisms necessary for an adequate and efficient coordination between this Company and all the other companies that make up the Group; all of the aforementioned without prejudice to, and without impairing, the autonomous decision-making capacity of each of said companies, in accordance with their own corporate interests and the fiduciary duties that the members of their management bodies maintain towards their shareholders.

Therefore, all the Internal Regulations of the Telefónica Group, including those of each Company, business line, territory, country, or region, will be prepared in accordance with the guidelines and criteria defined in the present Policy.

Excluded from the scope of application of this Policy are those provisions that regulate certain aspects of a Company's corporate nature, the existence of which is normally

determined by a legal obligation, such as the statutes or regulations of its General Shareholders' Meeting or Board of Directors.

As an ethical code of the Telefónica Group which inspires and defines the way the Group and all of its employees act in carrying out their professional activity, the Responsible Business Principles constitute the fundamental regulations within which all the other Internal Regulations of the Group are encompassed. Because these are the highest Internal Regulations at a hierarchical level in the Group, they are not included in the scope of application of the present Policy.

## 3. Internal Regulatory Framework

### 3.1 Types of regulatory provisions and their classification

In the delimitation of the Regulatory Framework of the Group, the Internal Regulations are classified according to several criteria:

#### 3.1.1 According to their organisational scope of application

- **Corporate or Group level:** whose purpose is to establish principles and common criteria to the entire Group, in relation to the organisation of functions, and the conduct or directive guidelines that must be observed by all employees of the Group. They are configured as a regulation of minimums (or, in certain cases, of maximums) and are imperative for the entire Group, without prejudice to the provisions set out in section 4.2 below.
- **Region, country, territory, or business line level:** these are defined analogously to the Internal Regulations of a corporate nature, but their scope of application is limited to the region, country, territory, or business line in question.
- **Company level:** those Internal Regulations approved by the governing, administrative, or managerial bodies of each Company, which are applicable to its employees and, as the case may be, to the employees of its subsidiaries.

#### 3.1.2 According to their regulatory rank

Hierarchically, the Internal Regulations will be classified in one of the following categories:

- **Policies:** those Internal Regulations that determine basic principles that delimit the action framework of the Group in a specific matter or sector of activity. Policies set out general principles, objectives, and regulations.
- **Regulations:** are qualified as regulations, the set of rules of action and responsibilities assigned to each unit of the organisation which must be followed, or with which the conduct, tasks, activities, etc. that must be carried out in general terms. Regulations define what needs to be done and at what level.

- **Rules:** this category includes those Internal Regulations that descend into more practical and procedural aspects of the activities of the Company, or that develop what is already established in the previously described Policies and Regulations. Rules establish how one should proceed.
- **Manuals:** manuals describe in detail the criteria or principles that must be taken into account in relation to a specific activity..
- **Instructions:** instructions regulate in detail the provisions contained in other higher-ranking Internal Regulations, specifying their application to a specific operation or process.
- **Circulars:** regulate specific aspects of the internal organisation of a given department, area, or even work group.

With respect to the Internal Regulations in effect when this Policy comes into effect, regardless of the name under which they have been approved, these shall be framed according to their nature and content in the previously indicated categories for the purposes set forth in this Policy.

## **3.2 General Principles of the Internal Regulations**

### **3.2.1. Hierarchy Principle**

The hierarchy principle ensures that provisions that contradict another higher-ranking provision are not valid. Thus, hierarchically, corporate regulations prevail over regional, country, organisation, territorial, and business line regulations, and these, in turn, over company regulations.

### **3.2.2. Restricted and Regulated possibility of exception**

In specific and exceptional cases, certain Group companies affected by the criteria set forth in the corporate field regulatory texts may, on a justified basis, alter and replace them with another different practice. To this effect, the need for said modification must be brought to the attention of the coordinator of the regulation, who will decide, after analysing the proposed modification and consulting the party responsible for the regulations whose exception is requested, whether it is appropriate to exempt the application of the criteria established in said corporate regulations to the exceptional situation for which the specific exception is requested.

### **3.2.3. Minimum requirements Nature**

Internal Regulations that affect more than one Company, or the Group as a whole, have a minimum requirements nature (or, in certain cases, a maximal requirements nature). In this regard, it is the responsibility of the managers of the affected Companies to publish Internal Regulations in which the general principles contained in said regulatory texts are adapted to the organisational or procedural peculiarities, or of any other type that exists in the Company and, as the case may be, to develop them to the extent necessary to guarantee their applicability to the individual characteristics of the company and ensure their compliance.

## 4. Competency in the Elaboration of the Internal Regulations

In the development of any Internal Regulations there are two fundamental roles: the party responsible and the coordinator of the regulations.

### 4.1 Party Responsible for the Internal Regulation

The party responsible for the Internal Regulation (henceforth, “Responsible Party”) is the individual or individuals who lead the proposal, creation, communication, and implementation of the Internal Regulation, and monitor, evaluate, and update them.

Depending on the rank of the Internal Regulation and its organisational scope of application, the Responsible Party will be that organisational unit that is functionally responsible for the regulated matter (wholly or mostly).

The Responsible Party for the Internal Regulations assumes the following functions:

- Identification and analysis of opportunities for improvement or needs for modification of the existing Internal Regulations, as well as the detection of new needs for regulations or deployment.
- Definition, in collaboration with the Internal Regulations Coordinator, of the work team that must participate in the preparation of the proposals of New Internal Regulations, as well as in the improvement or modification of those that already exist.
- Lead, in those cases in which this is required, the definition of the processes to be implemented stemming from the Internal Regulation, its deployment, and the associated regulatory development.
- Analysis of the impacts, and economic or organisational repercussions, of any other type, of the new Internal Regulations, or of the proposals for improvement or modification of the existing ones.
- Identification, review, update, consolidation and, as the case may be, repeal of the previous Internal Regulations that regulate aspects equal or similar to those included in the Internal Regulations to the one whose preparation and approval is proposed.
- Manage the approval by the corresponding body or directorate, according to its rank and/or organisational scope of application, in accordance with what is established in the section related to the approval of the Internal Regulations of the present document.
- Ensure the communication, publication, and dissemination, as well as the training, to guarantee the effective implementation of and compliance with the approved Internal Regulation.
- Clarify queries about the interpretation of the Internal Regulation, amending the relevant documents if, as a consequence, this were necessary.
- Promote and manage the updating of the Internal Regulations for which it is responsible when deficiencies are detected in the text itself or in its subsequent compliance, as well as to adapt them in those cases in which organisational or procedural changes have led to their obsolescence.

## **4.2 Internal Regulations Coordinator**

The coordination of the Internal Regulatory Framework of the Telefónica Group will be carried out by the Internal Audit Directorate.

The Internal Regulations Coordinator (henceforth, the “Coordinator”) is responsible for promoting and ensuring that the development of the Regulatory Framework in the Telefónica Group is carried out in accordance with common and consistent criteria throughout the Group, and specifically, that it is carried out in accordance with the principles contained in the present document and the processes established for this purpose. The main responsibilities of this role are:

- To detect needs and opportunities for improvement, modification, or updating of the existing Internal Regulations, proposing lines of action to the Responsible Parties for the Internal Regulations. Similarly, the Responsible Party for the Internal Regulations will inform the Coordinator of any need or opportunity for improvement, modification, updating, or repeal that it may identify as part of its functions.
- To provide support and advice to the Responsible Party for the Internal Regulations in relation to their drafting and implementation.
- To collaborate with the Party Responsible for the Internal Regulations in the assignment of work teams to carry out the corresponding updates of the Internal Regulations.
- To send the proposed draft to those areas, departments and units that might be considered affected, and seek, as the case may be, their comments.
- To supervise that the updates that are carried out on an Internal Regulations are done so in accordance with what is established in the present Policy, and to provide support to the Responsible Party to manage the approval of said internal regulations by the individual or organisational unit to whom it corresponds in each case, in accordance with what is established in the section related to the approval of Internal Regulations in the present document.
- To support the responsible party for each regulation in the communication, publication, and distribution of the new Internal Regulations (or its update), as well as in the design of corresponding training actions.
- To ensure that the necessary monitoring and evaluation actions are carried out in order to keep the Internal Regulatory Framework up to date, and to promote its improvement.
- To collaborate with the responsible party for the Internal Regulation in clarifying queries about the interpretation of the Internal Regulations, and resolving the conflicts that may arise as a result of the detection of inconsistencies between the existing Internal Regulations.
- To update the single repository with the Corporate Internal Regulations, available through the Global Intranet.

## 5. Internal Regulations Elaborating Process

### 5.1 Proposal

The responsible party for any area, department, or organisational unit of Telefónica, S.A., or of any Group Company, that identifies or has knowledge of the need to regulate a specific matter related to its functions or competencies, as well as to update or modify any existing Internal Regulation, may propose, promote, and encourage the creation or review of the Internal Regulation in question..

In those cases in which the Internal Regulation that is intended to be created, updated, modified, or repealed includes matters related to functions or competencies of several areas, departments or organisational units, the Responsible Party for the document must identify them and agree with the responsible parties for said areas on the content and scope of the Internal Regulation which it is intended to amend or repeal, in such a way that the proposal is made jointly by the parties responsible for the different affected organisational areas.

Once the need to take action in respect of an existing Internal Regulation has been detected, the Responsible Party will prepare a proposal, a training plan, and an analysis of economic or organisational impact, or of any other kind, that may stem from the approval and implementation thereof, with the support and advice of the Internal Regulations Coordinator.

### 5.2 Creation/updates of Internal Regulations

In collaboration with the Coordinator, the Responsible Party for the Internal Regulation will identify the work team for the preparation of the proposal, and the main areas, departments or units affected or involved.

In the event that the Internal Regulations are at the corporate level, or that they affect several Group Companies, the text must be submitted for consultation or comments by the responsible parties for the processes or activities in the affected Companies.

The work team will present a draft of the new text to the coordinator of the regulation in question who will be in charge of analysing it, specifically verifying that it is consistent with the Group's internal regulatory map, and communicating it to the areas, departments and/or units that may be affected by the new regulation, so that they can make their comments in this regard. At this stage, in the case of corporate regulations, the coordinator of said corporate regulation will, in all cases, inform the Corporate General Secretariat and, as the case may be, the Compliance Directorate of the proposal, both of which may issue their opinions or comments, in the latter case, in accordance with the protocol agreed between the Internal Regulations Coordinator and the Compliance Department.

The structure and format set out in the Annex shall be respected in the drafting of all Internal Regulations.



### **5.3 Approval of Internal Regulations**

The individuals or bodies responsible for the approval of the Internal Regulations will depend on the scope of application and regulatory rank of the regulations.

Thus, with regard to the Internal Regulations at a corporate level: a) Policies will be approved by the Board of Directors of the Telefónica Group; b) Regulations will be approved by the Board of Directors or by the member of the Executive Committee who has the main responsibility for their content and c) lower-ranking regulations (Rules, Manuals, Circulars, or Instructions) will be approved by the Directorate which, as applicable, has the main responsibility for their content. These provisions will be reviewed and shall have the prior approval of the Internal Regulations Coordinator, as well as, where applicable, of the Corporate General Secretariat and of the Compliance Department; in the latter case, in accordance with the protocol agreed between the Internal Regulations Coordinator and the Compliance Department.

In line with the aforementioned, the faculty to approve provisions of lower scope of application (region, country, territory, business line, or company) will correspond, in the case of Policies or Regulations, to their respective governing bodies, administration, or management body; and, in the case of lower-ranking regulations (Rules, Manuals, Circulars, or Instructions), will be approved by the Directorate that is the maximum party responsible for them, taking into account their content, always with the prior approval of the Internal Regulations Coordinator, as well as, as the case may be, of the Corporate General Secretariat, and of the Compliance Department; in the latter case, in accordance with the protocol agreed between the Internal Regulations Coordinator and the Compliance Department..

### **5.4 Modification and Repeal of Internal Regulations**

Any change to the Internal Regulations in force, as well as, as the case may be, the repeal thereof, will be the exclusive responsibility of the body, committee, or directorate empowered in each case to approve them, in accordance with the provisions set out in the previous section, or of the body with a higher rank than that corresponding to the nature and content of the Internal Regulation..

In any case, the Responsible Party and the Internal Regulations Coordinator must participate in the amendment, and it will follow the channel established in the sections related to the creation, update, and approval of the Internal Regulations presented in this Policy.

## **6. Publication and Communication of the Internal Regulations**

Once a new Internal Regulation has been approved, a process of distributing it must be initiated to ensure that said regulation is known by all the employees to whom it applies..

Each of the employees has the obligation to know and apply the Internal Regulations that apply to them in the performance of their functions.

The Party Responsible for the Internal Regulations will be in charge of developing the pertinent communication actions of those Internal Regulations aimed at a specific group of employees, bearing the responsibility of ensuring the correct and full knowledge by all of them of those Internal Regulations that may have an impact on the scope of their respective functions. For this purpose, it will be supported, if necessary, by the Human Resources Directorate and the Internal Regulations Coordinator

In any case, the Corporate or Group Internal Regulations will be available to all employees on the Group's Global Intranet in an easily reachable and accessible manner. The Coordinator will be responsible for ensuring that said repository contains the current version of each Internal Regulations in force at any given time.

## 7. Effective Data

The Internal Regulations will enter into force on the date expressly stated in each of them, and will remain in force insofar as they are not expressly repealed by another Internal Regulation, regardless of its rank (regulatory or organisational application), which contravenes its content, in accordance with the terms and conditions of the present Policy.

The Internal Regulations should be reviewed every two years by the Responsible Party for each of them in order to verify their content and validity.

## 8. Disciplinary Regime

All the Internal Regulations that make up the Regulatory Framework of the Telefónica Group are mandatory for all Group employees, each of which is applicable within the scope of their respective functions and competencies.

In this context, the Telefónica Group has a Corporate Policy regarding the Comprehensive Disciplinary Regime, applicable to all Group employees, which defines the basic principles of the disciplinary system of the Group. This Policy establishes that non-compliances with the Internal Regulations are considered breaches of terms and conditions of employment which may be penalised in accordance with the specific provisions of said legislation and the Internal Regulations that may be applicable.

## 9. Entry into Force, General and Transitional Provisions

The present Policy shall enter into force on the day following its publication, repealing any and all previous versions that exist up to said moment.

The creation of regulations that takes place as of the entry into force of the present Policy shall be carried out in accordance with the principles, criteria, and guidelines contained therein. The currently valid provisions will be progressively updated and

adapted to the new criteria as each provision is reviewed and updated, in accordance with the provisions set out in this Policy

## **ANNEX: Formal and Structural Criteria**

The purpose of this Annex is to provide guidance on the drafting of the Internal Regulations, and to establish the formal and content requirements that they must comply with regardless of their scope of application, regulatory rank, or Responsible Party..

### **1.- Coding of the Internal Regulations**

The Internal Regulations shall be coded for their identification by mentioning the Company in which it was approved, its scope of organisational application, the area, department, organisational unit or directorate responsible for the Internal Regulation, and the edition number that represents the approved version.

They will furthermore indicate its regulatory rank, in accordance with the classification included in this Policy, and its name which will express the content it regulates.

In the case of a Rule or any other Internal Regulation(s) that implement another of a higher rank, the Internal Regulation or Regulations it complements must be stated in such a way that the relationship between them is easily identifiable.

When an Internal Regulation affects several Companies of the Group and does not contain an detailed list of the affected Companies in its own text, it shall be understood that it must be observed by all those Companies in which the Company that issues the Internal Regulation directly or indirectly holds the majority of the shares, participations, or voting rights, or in whose governing or administrative body it has designated or has the power to designate the majority of its members, in such a way that it effectively controls the company..

### **2.- Minimun Contents**

The Internal Regulations must abide by the following structure:

- An introduction or explanatory section.
- A specific definition of the object of the regulation.
- The framework Internal Regulation, where applicable, it implements or complements. In the event that it implements an Internal Regulation of a Corporate scope, this circumstance will be expressly stated.
- Reference to the organisational scope of application. Exclusions from its application will be specified, if necessary.
- Descriptive index of the contents of the Internal Regulation.
- Approval, specifying: a) date of approval, and body or directorate that approved the Internal Regulation; b) Repealed Internal Regulation, if applicable; c) validity, indicating the date of entry into force; and d) general or transitional provisions, if applicable..

### **3.- Basic Drafting Criteria**

As stated in the explanatory section, the purpose of this Policy is to streamline the Internal Regulatory Framework of the Group by seeking the greatest possible simplicity and materialisation in the regulatory work of the Group. Therefore, simple and specific language should be used, expressing concise ideas and avoiding unnecessary repetitions.

For ease of reference, the Internal Regulations will be divided into sections or headings, the title of which will be sufficiently expressive of what it regulates, and which must follow a logic that is comprehensible to the recipients.

The use of abbreviations and acronyms should be avoided and, in any case, if they are used, their definition should be stated in a clear and comprehensible manner.

### **4.- Minimal Formal Aspects**

-The cover of the Internal Regulations will include all the elements indicated for their coding, the version number, the date of approval, and the body or directorate that approved it.

-The Party Responsible for the Internal Regulation will classify / label the text, in accordance with what is established in the Global Security Regulations regarding the Classification and processing of the Information.

-The index of the regulation(s) will appear on its first page.

-All pages will include the name of the area, directorate, or organisational unit responsible for it; the title of the Internal Regulations; the version; and the page number and total number of pages.

-The index will be followed by a list of the different versions and the dates on which they were approved, as well as by a description of the main changes made in each version vs. the previous version..



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