



INTEGRITY INFORMATION FOR SUPPLIERS



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Introduction

01

Introduction

The importance of the fight against corruption

Corruption represents a serious threat to the rule of law and sustainable development around the world.

Corruption can be private (between private individuals) and public (with public officials or employees).

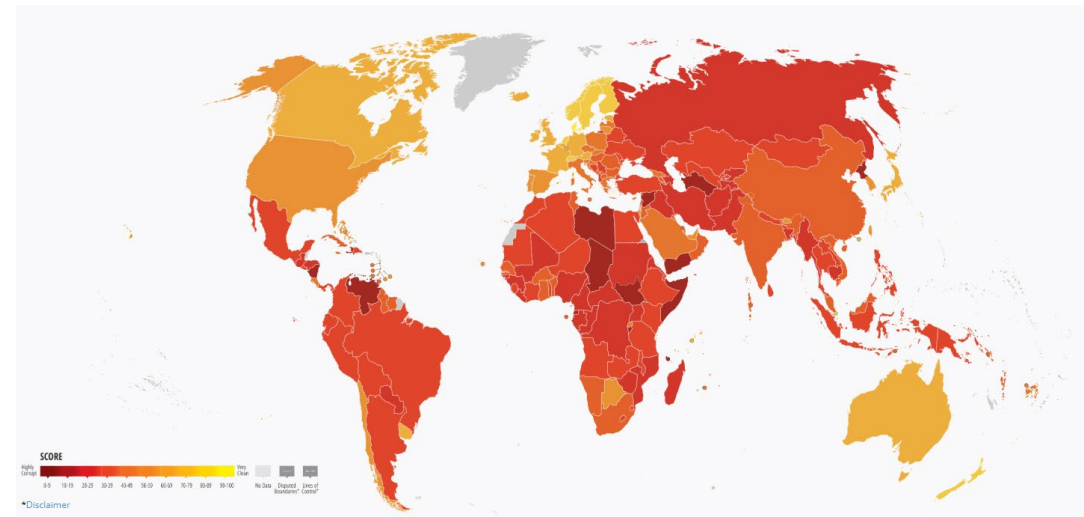
The consequences of corruption are numerous and are detrimental to all businesses, regardless of their size. Some of the most direct consequences are price distortion, increased cost of doing business and undermining investor and stakeholder confidence.

Public authorities and regulators have long been focused on the fight against corruption, which has resulted in an increase in regulation, with increasingly stringent laws that impact on the role of companies in the fight against corruption.

The international legal framework is constantly evolving and the rapid development of corporate governance rules around the world has led companies to consider anti-corruption measures as an essential component of their compliance models (Compliance Programmes) as the main mechanism to prevent misconduct and, where appropriate, to detect and remedy it.

Results of the Corruption Perceptions Index 2022, the world's leading indicator for measuring corruption in the public sector.

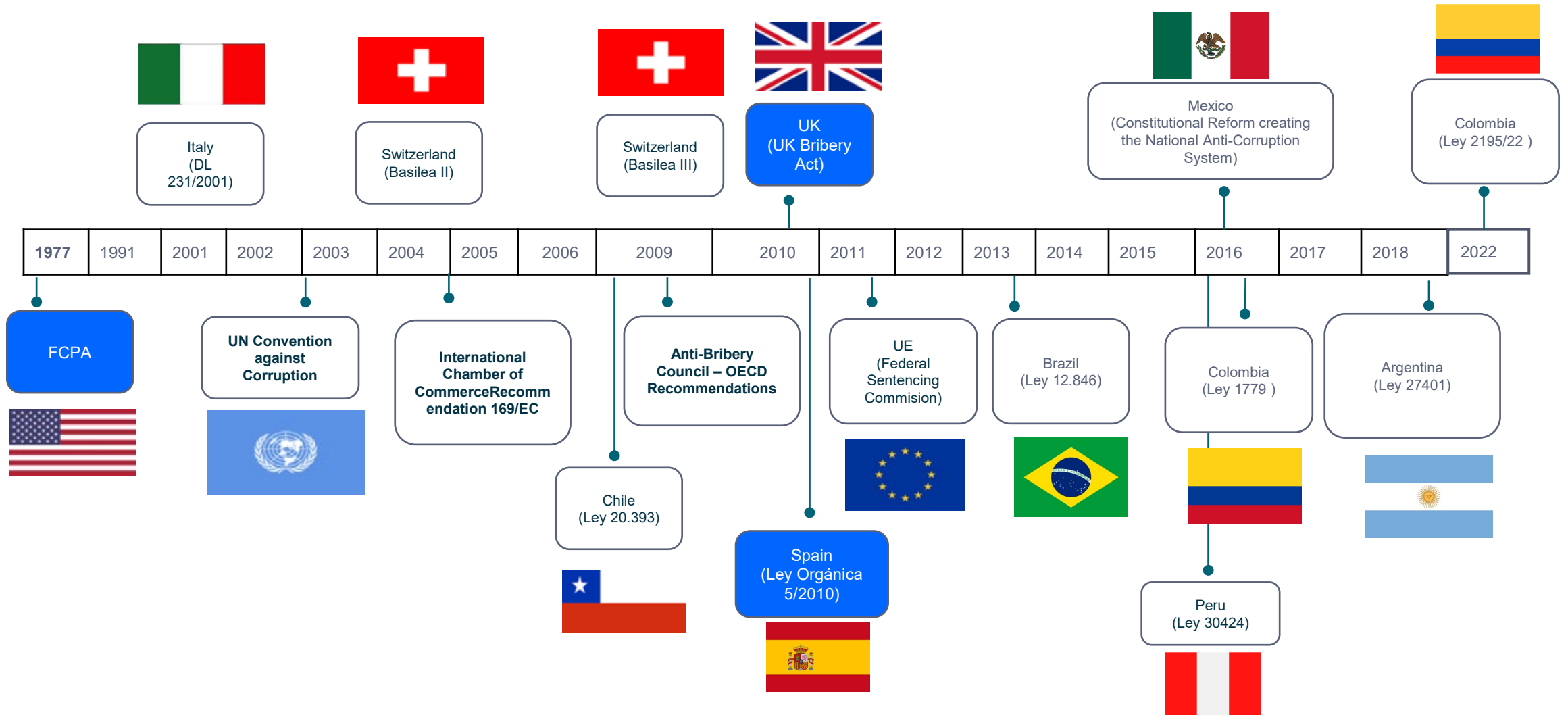
Source: Transparencia Internacional
(<https://www.transparency.org/cpi2022>)



International Overview

02

An avalanche of anti-corruption legislation

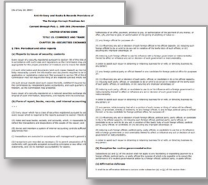


Key Regulations

FCPA (Foreign Corrupt Practices Act)

03

Foreign Corrupt Practices Act (FCPA)



Passage of the FCPA

The passage of the FCPA in 1977 was the beginning of the US fight against corporate corruption (known as "corporate bribery").



WHAT DOES THE FCPA REGULATE?

La FCPA tiene vocación de sancionar aquellas conductas ilícitas que impliquen un acto de corrupción y soborno contra funcionarios públicos extranjeros.

Main aspects:

- **Objective scope:** Concept of US Person.
- **Subjective scope:** Conduct related to public corruption of foreign public officials. Sanciones y penas asociadas.

The FCPA is complemented by "A Resource Guide to the U.S. Foreign Corrupt Practices Act", which is the result of analysis conducted mainly by the Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) and interprets the FCPA provisions, including many practical aspects.

WHAT PROVISIONS DOES THE FCPA COVER?

The FCPA regulates the international problem of corporate corruption through two provisions:

- 1 **Anti-bribery provisions:** prohibit giving, offering, promising or authorizing the payment of anything of value to foreign public officials.
- 2 **Financial and accounting transparency provisions (Accounting Provisions):** these require the preparation and maintenance of accounting books and records, as well as the implementation of internal control mechanisms to prevent and/or detect improper payments.

Foreign Corrupt Practices Act (FCPA)

Key elements



The concept of "bribery" under the FCPA

The term bribery in the FCPA includes, in general terms, any offer, payment, promise or authorization to pay money or anything else of value to a foreign public official or authority for the purpose of influencing an action or decision in order to obtain or maintain a business relationship.



What is the scope of the FCPA?

The FCPA applies to all payments - including offers, promises or authorizations - intended to:

- 1 Influence any action or lack of action by a public official within the framework of his or her competences.
- 2 Inducing a public official to use his or her influence with a foreign public government for the purpose of affecting or influencing any act or decision to be taken.

Foreign Corrupt Practices Act (FCPA)

Scope of application

1

ISSUERS

- A. Any company, U.S. or foreign, that owns registered securities (shares) in the U.S. on a basis:
- Directly.
 - Indirectly (through ADRs).
- B. Any US or foreign company with reporting obligations to the SEC (Securities and Exchange Commission).

2

DOMESTIC CONCERNS

- A. U.S. citizens and residents.
- B. Companies domiciled in the United States, governed by U.S. law or having their principal place of business in the United States.

3

TERRITORIAL JURISDICTION

Any person or company, U.S. or non-U.S., who commits an act of corruption while in the territory of the United States.

Liability for acts performed by third parties:

Third parties linked to the organization

- Directors, officers, employees, partners, agents and, in general, any third parties, whether US nationals or non-US nationals, acting on behalf of a US Person entity, fall within the scope of the FCPA.
- In such cases, in the event that a corrupt practice offence materializes, the US Person entity may be directly affected, even if it is not involved in such conduct.
- Some of the most common examples arise from distributors, contractors, suppliers, etc.

Mergers & Acquisitions

Transfer of responsibility



FCPA violations committed by the acquired company, and the consequences thereof, may extend to the acquiring company.

Foreign Corrupt Practices Act (FCPA)

Sanctions

Individual

- Civil penalties of up to US\$100,000.
- Criminal fines of up to US\$ 250,000 and/or up to 5 years imprisonment.
- Under the Alternative Fines Act the fine can be up to twice the gross financial gain or loss resulting from the amount of the bribe.
- Confiscation of assets.

IMPORTANT

Fines imposed on individuals who commit corruption offences cannot be paid by the employer (employer company), the employee is liable with his or her own assets.

Specific to financial and accounting transparency:

Individual

- Civil penalties of up to US\$100,000.
- Criminal fines of up to US\$5M, or twice the loss or gain derived from the offence, and/or up to 20 years imprisonment.

Legal entity

- Civil penalties of up to US\$10,000.
- Criminal fines of up to US\$2M.
- Under the Alternative Fines Act the fine can be up to twice the gross financial gain or loss resulting from the amount of bribe given.
- Prohibition from engaging, directly or indirectly, in any business or contract involving certain exports from the United States, re-exports to other countries of certain U.S.-origin products and technology, or any business with a U.S. government entity.
- Suspension or debarment from multilateral development banks, such as the World Bank.

Legal entity

- Civil penalties of up to US\$500,000.
- Criminal fine of up to US\$25M or twice the gain or loss derived from the offence.
- Return of illicit gains.

Key
Regulations
UK Bribery Act

04

United Kingdom Bribery Act

UK BRIBERY ACT

The UK Bribery Act (2010) is one of the most impactful pieces of extra-territorial legislation in the fight against corruption, along with the FCPA.

The UK Serious Fraud Office has published a guide, produced by the UK Ministry of Justice, on the characteristics that compliance programmes must have in order to work efficiently and to operate as an exemption from liability under the Bribery Act.

General principles of the UK Bribery Act

- 1 Proportionality**

A company's procedures must be appropriate to the specific activity being carried out and the potential risks the company faces.
- 2 Tone at the top**

Company managers should be involved in the compliance and development of compliance programmes.
- 3 Risk assessment**

The risks to which the company is subject must be properly identified and covered in compliance programmes.
- 4 Due diligence**

Due diligence procedures should be put in place when conducting business transactions.
- 5 Comunicación**

The procedures established for the prevention of corruption must be understood throughout the organization and by each of its components, as well as by related third parties..
- 6 Programme review**

Ongoing monitoring and follow-up of compliance programmes to check that they are effective or need to be modified to adapt to new changes.

United Kingdom Bribery Act

Definition	"when a person offers, gives or promises to give a financial or other advantage to an individual in exchange for improperly performing a relevant function or activity".
Scope	UK citizen, resident, company or subsidiary anywhere in the world
Offences	<ul style="list-style-type: none">• Bribing another person (Section 1)• Being bribed (Section 2)• Bribing a foreign public official (Section 6)• Failing to prevent bribery by associated persons (Section 7)
Sanctions on individuals	<ul style="list-style-type: none">• Up to 10 years imprisonment• Unlimited fine
Sanctions on companies	<ul style="list-style-type: none">• Unlimited fine• Loss of related income• Prohibition of public sector tendering
Responsible Authorities	<ul style="list-style-type: none">• Ministry of Justice for guidance.• Serious Fraud Office for application.

Key Regulations

Spanish Criminal Code

Spain

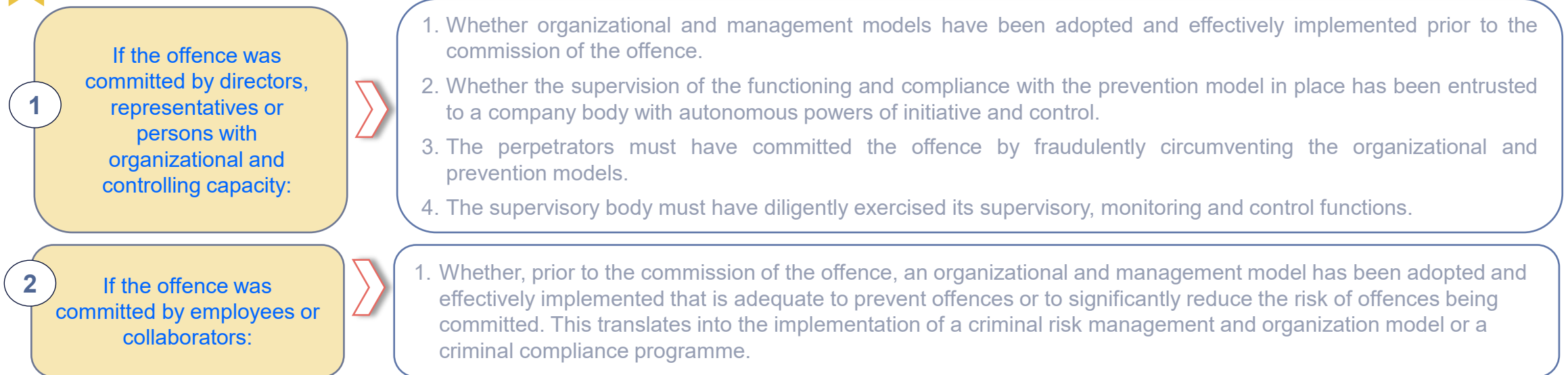
05

The regime of criminal liability in the legal person: Article 31 bis of the Criminal Code

When can the company be criminally liable?

1. When it has committed one of the offences liable to give rise to the criminal liability of legal persons, in accordance with the catalogue provided for in the Criminal Code.
2. The offence must be committed by:
 - Administrators, legal representatives, persons with organizational and control capacity, fraudulently circumventing the organizational and control models.
 - Employees or collaborators. By serious breach of the duties of supervision, monitoring and control of the aforementioned.
3. The offence must have been committed in the name or on behalf of the company.
4. The offence must have been committed for the direct or indirect benefit of the company.

When can the company be exempted from criminal liability?



Criminal Code: corruption in the public and private sphere

In Spain, the Penal Code criminalises conduct relating to acts of corruption in both the public and private sectors.

1

Public corruption

Under Spanish criminal law, public corruption includes the offences of bribery, influence trafficking and corruption in international business transactions.

Regulation:

- **Bribery:** Articles 419 to 427 of the Criminal Code.
- **Trading in influence:** Articles 428-431 of the Criminal Code.
- **Corruption in international business transactions:** Articles 286 ter to 288 of the Criminal Code.

Special offence

The active subject of the offence is the public official himself, who, for his own benefit or that of a third party, carries out the corrupt conduct.

Special offence

The active subject of the offence is the private individual who carries out a typical conduct, vis-à-vis a public official.



Special impact for the legal person.

2

Private corruption

The offence of private corruption is confined to the offence of corruption in business.

Regulation:

- **Business corruption:** Articles 286 bis to 288 of the Criminal Code.



It only affects private individuals in relationships that are of a private and commercial nature.

Definition of public official

The definition of public official under Spanish criminal law is understood from a broad point of view.

Thus, *"any person who, by immediate provision of law or by election or appointment by competent authority, participates in the exercise of public functions, shall be considered a public official"*.

Article 24 of the Criminal Code.

Criminal Code: corruption in the public and private sphere

Public corruption: main forms of crime

1 Bribery (art. 424 c.p.)

Offering or giving to a public official or authority a gift or any kind of consideration, with the purpose that the public official or authority will

- Performs an act contrary to his or her inherent duties.
- Performs or delays an act that should be performed.
- Simply in consideration of his office or function.

2 Influence trafficking (art. 429 c.p.)

Influencing a public official or authority by taking advantage of any situation arising from a personal relationship, in order to:

- Obtain a resolution that can generate an economic benefit for himself or for a third party.

3 Corruption in international business transactions (art. 286 ter)

Offering, promising or giving any undue advantage or benefit to an international civil servant, in order that he or she will:

- Act or refrain from acting in connection with the exercise of public functions, in order to obtain or retain a contract, business or any other competitive advantage.

Private Corruption: Business Corruption

Business corruption (art. 286 bis c.p.)

Receiving, soliciting, accepting, promising or offering an unjustified benefit or competitive advantage of any nature whatsoever, in order to unduly favour another in:

- The purchase or sale of goods.
- The contracting of services.
- Commercial relations.

Criminal Code: corruption in the public and private sphere

Other related offences

Embezzlement (Art. 432 CP)



Infringing administrative powers by causing damage to public assets.

Price-fixing in public tenders and auctions (Art. 262 CP)



Soliciting gifts or promises to (i) not take part in a public tender or auction; (ii) attempting to lure bidders away from bidding by means of threats or gifts; or (iii) colluding with each other to alter the auction price.

Money laundering (Art. 301 CP)



Acquiring, possessing, using, converting or transferring property knowing that it is derived from criminal activity, or any other act intended to cover up its unlawful origin.

Illegal financing of political parties (304 bis y 304 ter CP)



Giving donations or contributions to a political party, federation, coalition or grouping of voters in contravention of the provisions of Ley Orgánica 8/2007, de 4 de Diciembre, sobre financiación de los partidos políticos.

Telefónica

06

TELEFÓNICA

Business Principles at Telefónica

The Business Principles, our code of ethics and conduct, govern everything we do and say and reflect the kind of company we want to be.

They help us build and maintain long-term relationships with our stakeholders and enable us to establish lasting business relationships with like-minded partners along the value chain, with the common goal of making our world more humane by connecting people's lives.

These Principles serve as a compass for us to behave and make decisions based on **integrity, commitment and transparency**.

The first of these principles is "**ethical and responsible management**", which includes the fight against corruption, as well as other principles relating to the protection of privacy, security, relations with competitors, responsible use of technology, respect for human rights and digital rights... all of which are developed by the rest of the regulations that make up Telefónica's Regulatory Framework.

These principles reflect unique, non-negotiable standards. For Telefónica, integrity implies a commitment to zero tolerance of corruption and bribery.

As proof of this commitment, Telefónica also has a Global Compliance Model aimed at preventing, detecting and responding to potential breaches.

TELEFÓNICA

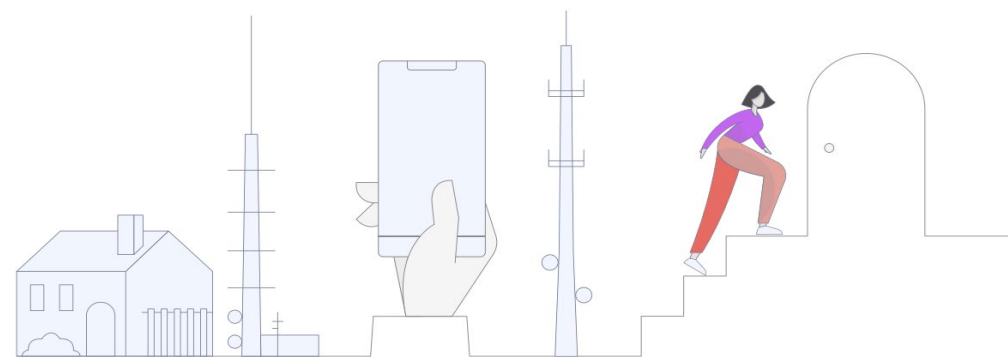
You can find out more about Telefónica, its Business Principles and the Global Compliance Model at www.telefonica.com

As part of the Global Compliance Model, Telefónica has a Whistleblowing Channel on its corporate website, accessible by employees and third parties 24 hours a day, every day of the week.

The Policy and Management Procedure governing Telefónica's Internal Information System, of which the Whistleblowing Channel forms part, are also accessible on its website.

The Whistleblowing Channel guarantees the confidentiality of information, the protection of the whistleblower, respect for personal data protection regulations and allows communications to be made anonymously.

Telefónica diligently and respectfully follows up any communication it receives and prohibits the adoption of retaliatory measures in accordance with the provisions of current legislation.



“Integrity is doing the right thing, even when no one is watching”

C.S. Lewis

Thank you very much!



Telefónica