

REPORT PREPARED BY THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A. IN CONNECTION WITH THE PROPOSED DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO ISSUE DEBENTURES, BONDS, NOTES AND OTHER FIXED-INCOME SECURITIES AND HYBRID INSTRUMENTS, INCLUDING PREFERRED SHARES, IN ALL CASES BE THEY SIMPLE, EXCHANGEABLE AND/OR CONVERTIBLE AND/OR GRANTING THE HOLDERS THEREOF A SHARE IN THE EARNINGS OF THE COMPANY, AS WELL AS WARRANTS, WITH THE POWER TO EXCLUDE THE PRE-EMPTIVE RIGHTS OF SHAREHOLDERS, AND ALSO THE AUTHORIZATION TO GUARANTEE ISSUANCES BY COMPANIES OF THE GROUP, TO BE SUBMITTED FOR APPROVAL OF THE SHAREHOLDERS AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING (ITEM VII ON THE AGENDA).

1. PURPOSE OF THE REPORT

The Agenda for the Ordinary General Shareholders' Meeting of Telefónica, S.A., called to be held on April 9 and 10, 2025, includes in item VII thereof a proposal regarding the granting of powers to the Board of Directors, with the express power of substitution in favor of the Executive Commission, to issue debentures, bonds, notes and other similar fixed-income securities or debt instruments (including warrants) or hybrid instruments (including, among others, preferred shares), which may be convertible into and/or exchangeable for shares of the Company, of any of the companies within its Group or of any other company, and/or giving the holders thereof a share in the earnings of the Company, as well as the authorization for the Company to guarantee issuances of such securities by companies within the Group.

2. RATIONALE FOR THE PROPOSAL

Given the current situation of the primary securities markets, the Board of Directors of the Company deems it necessary to have the delegated powers allowed by current legal provisions in order to be able to raise on the market those funds that may be necessary for the proper management of the corporate

interests. For that reason, the purpose of this delegation is to provide the Company's board with the instruments and responsiveness required by the current competitive environment, in which the success of an initiative or a financial transaction frequently depends on the ability to carry out it out quickly, without incurring the delays and costs that inevitably ensue from the call to and holding of a General Shareholders' Meeting.

For such purpose, in accordance with the provisions of Article 15, section 11 of the By-Laws, which authorizes the shareholders at a General Shareholders' Meeting to delegate to the Board of Directors the power to issue debentures and other marketable securities recognizing or creating debt, as well as the provisions of Sections 414 and 511 of the Companies Act in relation to the issuance of debentures convertible into shares and delegation of the power to exclude pre-emptive rights in relation to those issuances, the proposed resolution set forth under item VII of the Agenda is submitted to the shareholders at the General Shareholders' Meeting, which proposal also includes the power to deprive of effect, to the extent of the unused amount, the resolution providing for the delegation of powers to issue securities approved by the shareholders at the Meeting held on June 12, 2020.

The proposal provides that the aggregate maximum amount of the issuances to be carried out under the delegation of powers will be 25,000 million euros or the equivalent thereof in another currency. In addition, the proposal contemplates authorizing the Board of Directors so that, in the event that the Board decides to issue debentures, bonds or hybrid instruments, it may issue them as convertible and/or exchangeable, whether obligatory or voluntary or even contingent, and in the event that they are convertible approve the capital increase required to accommodate the conversion. The power to increase share capital may only be exercised to the extent that the Board, adding the capital increase effected to accommodate the issuance of convertible securities and any other capital increases it may have resolved to effect pursuant to authorizations granted by the shareholders at a General Shareholders' Meeting does not exceed the limit of one-half of the amount of share capital, as prescribed established in Section 297.1.b) of the Companies Act, or 20% of such total amount of share

capital if the issuance of the convertible securities excludes the pre-emptive rights of the shareholders, all in accordance with the authorization granted by the shareholders at a General Shareholders' Meeting that is in effect on the date of the resolution to increase the current share capital, and without such forecasts affecting in any way the application of possible anti-dilution adjustments when they are appropriate.

The proposal also includes the standards for determining the terms and conditions for conversion into shares and/or exchange of securities into shares, in the event that the Board resolves to use the authorization granted by the shareholders to issue convertible and/or exchangeable securities, but it delegates to the Board of Directors itself the power to specify such terms and conditions for conversion and/or exchange for each particular issuance within the limits and in accordance with the standards set out by the shareholders at the Meeting. Thus, the Board of Directors will decide whether the securities issued are convertible and/or exchangeable; whether mandatory or voluntary, even contingent; and if voluntary, whether the conversion and/or exchange is at the option of the holder or the issuer; and will also how and who determine the rate of conversion and/or exchange of the shares to be issued for the conversion or of those to be used to exchange the securities, which rate may be fixed or variable, with the shares being valued in accordance with any of the procedures set forth in the following paragraphs, at the election of the Board and as the Board deems to be more appropriate.

In any event, if the Board decides to issue convertible and/or exchangeable securities in exercise of the authorization requested of the shareholders at the General Shareholders' Meeting, the Board will, upon approving the issuance, issue a report describing the specific terms and conditions of the conversion and/or exchange applicable to such issuance, which, when it comes to convertible securities, will also be the subject-matter of an independent expert report when so required by law (or when the Company decides to voluntarily obtain one pursuant to the provisions of Section 510 of the Companies Act). The directors' explanatory report and, if applicable, the independent expert report, shall be made available to the shareholders and

disclosed at the first General Shareholders' Meeting that is held following approval of the resolution providing for the issuance and shall also be immediately included on the Company's website.

Specifically, the resolution submitted by the Board for approval of the shareholders at the General Shareholders' Meeting provides that in the event that the convertible and/or exchangeable securities are issued at a fixed conversion and/or exchange rate, the price of the shares to be set by the Board of Directors for purposes of the conversion and/or exchange, subject to the relevant anti-dilution adjustments, may not be less than the arithmetic mean of the closing prices, the weighted average price or another benchmark price of the shares of the Company during the period to be determined by the Board of Directors, which may not be more than three months or less than one day, prior to (i) the date of the holding of the Board of Directors' meeting at which the Board approves the issuance of the securities in the exercise of the powers delegated hereby, or (ii) specific dates between the announcement of the issue and the date the securities are paid up by subscribers (both inclusive). A premium or discount on such price per share may also be established, but if there is a discount on the price per share, it may not be greater than 25% of the value of the shares used as the benchmark in accordance with the provisions above. In the event of an exchange for shares of another company (whether or not belonging to the Group) the same rules will apply, to the extent that they are appropriate and with such adjustments, if any, as may be necessary, provided, however, that such rules will refer to the listing price of the shares of such company on the respective market. In this way, the Board believes that it is granted an adequate degree of flexibility to set the value of the shares for purposes of the conversion and/or exchange based on market conditions and other relevant factors to take into account, but always with reference to the market value thereof at the time that the Board approves the issuance of the securities.

On the other hand, in the event that the issuance is carried out at a variable conversion and/or exchange rate, the price of the shares to be set by the Board of Directors for purposes of the conversion and/or exchange will be the arithmetic mean of the closing prices, the weighted average price, or other

benchmark price of the shares of the Company during a period to be determined by the Board, which will not be more than three months or less than one day prior to the date of conversion or exchange, with the Board being authorized to set a premium or, if appropriate, a discount on such price per share, which may be different for each conversion or exchange date under each issuance (or, where appropriate, each tranche of an issue). However, if the Board sets a discount on such price per share, such discount may not be greater than 30% of the listing price of the share during the period prior to the date of conversion and/or exchange of the securities into shares established by the Board itself. Notwithstanding the foregoing, limits may be established in the form of a minimum and/or maximum benchmark price of the shares for purposes of the conversion and/or exchange thereof upon the terms decided by the Board. In the event of an exchange for shares of another company (whether or not belonging to the Group) the same rules will apply, to the extent that they are appropriate and with such adjustments, if any, as may be necessary, provided, however, that such rules will refer to the listing price of the shares of such company on the respective market. Again, the Board believes that the foregoing grants it adequate maneuverability to set the variable conversion and/or exchange rate based on market circumstances and any other factors that the Board should take into account, and allows it to apply various measures regarding the price of the shares in order to ensure that the issue price of the new shares at the time of conversion does not differ from the market value by more than a reasonable amount.

In both cases, it is provided that, pursuant to Section 415 of the Companies Act, debentures may not be converted into shares if the nominal value of such debentures is less than the value of such shares, and it is also provided that in no event may the value of the shares for purposes of the conversion rate be less than the nominal value thereof. Moreover, it is provided that the Board of Directors is authorized to determine whether or not the valuation of each security for purposes of determining whether or not the conversion and/or exchange rate for shares will include the interest accrued and unpaid at the time of the conversion and/or exchange.

In addition, it is provided that the authorization to issue fixed-income securities includes, in the event that the issuance covers convertible securities, granting the Board of Directors the power to completely or partially exclude the pre-emptive rights of shareholders when necessary to raise funds on the markets or as otherwise required by the corporate interest.

The Board of Directors believes that this additional capacity, which is recognized by current legal provisions, will provide it with increased maneuverability and responsiveness.

As already stated, the ability to act flexibly and quickly is necessary in the current market environment in order to be able to take advantage of the times when market conditions are most favorable. Therefore, this measure may be necessary if one desires to obtain financial resources on the domestic or international markets or through the use of bookbuilding.

Finally, the exclusion of pre-emptive rights makes it possible to relatively reduce the financial cost of the borrowing and the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issuance) as compared to an issuance made with pre-emptive rights, and at the same time reduces the effect of distortion in the trading of the Company's shares during the issuance period.

In any event, it should be noted that the exclusion of pre-emptive rights is a power that the shareholders at the General Shareholders' Meeting delegate to the Board of Directors and that it falls upon the Board, considering the particular circumstances and observing legal requirements, to decide in each case whether or not it is appropriate to exclude such rights. In this regard, if the Board decides to exclude pre-emptive rights in connection with a specific issuance of convertible securities which it may decide to make pursuant to the authorization requested of the shareholders at the General Shareholders' Meeting, it shall, upon approving the issuance, issue a report describing the specific reasons of corporate interest that warrant such measure. The Company may also voluntarily obtain the independent expert report provided for in Section 308 of the

Companies Act. The directors' explanatory report and, if applicable, the independent expert report, shall be made available to the shareholders and disclosed at the first General Shareholders' Meeting that is held following approval of the resolution providing for the issuance and shall also be immediately included on the Company's website.

Likewise, in view of the fact that in certain circumstances it may be advisable for fund-raising activities to be carried out by a company within the Group, and given that, in such cases, it is an essential condition for the success of the transaction that the issuance, if any, made by any such Group company be fully supported and guaranteed by the Company, the Board of Directors also requests express authorization of the shareholders at the General Shareholders' Meeting in order for the Company to be allowed to guarantee obligations of any kind that may arise for the Group companies from the issuances made thereby in order to raise funds for the Telefónica Group, for a period equal to the period of delegation of the power to issue the securities covered by this report.

It is also proposed that the resolutions required by applicable legal provisions be adopted in order for the securities to be issued pursuant to this delegation of powers to be admitted to listing on any Spanish or foreign, official or unofficial, organized or other secondary market.

Finally, the proposal expressly contemplates that the powers of any kind granted to the Board of Directors may be delegated, in turn, by the Board to the Executive Commission.

3. PROPOSED RESOLUTION SUBMITTED FOR APPROVAL OF THE SHAREHOLDERS AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING

The full text of the proposal with respect to this item that is submitted for the approval of the shareholders at the General Shareholders' Meeting is as follows:

To delegate to the Board of Directors of Telefónica, S.A., in accordance with the general rules governing the issuance of debentures and subject to the provisions of current legislation and the Company's By-Laws, the power to issue fixed-income securities or debt securities of a similar nature, or hybrid financial instruments, which may be convertible and/or exchangeable into shares and/or which grant the holders thereof a share in the corporate earnings, and to guarantee their issuance by the Group's companies, in accordance with the following terms:

- 1. The aforementioned instruments may be issued on one or more occasions within a maximum period of five years from the date on which this resolution is adopted. The same term shall apply to the power to guarantee the issuance of such instruments by companies of the Group.*
- 2. The securities issued may be debentures, notes and other fixed-income securities, or debt instruments of a similar nature, or hybrid instruments, in any form permitted by law (including, inter alia, preferred shares), both simple and, in the case of debentures, bonds and hybrid instruments, convertible into shares of the Company and/or exchangeable for shares of the Company, of any of its Group companies or of any other company, and/or giving the holders thereof an interest in the corporate earnings. This delegation also includes warrants or other similar instruments that might give the right to directly or indirectly subscribe or acquire shares of the Company, whether newly issued or already outstanding, and which may be paid for by physical delivery or by set-off, to which the same rules set forth herein with respect to convertible and/or exchangeable instruments shall apply, mutatis mutandis.*
- 3. The aggregate amount of the issuance or issuances of instruments that may be approved in reliance on this delegation may not exceed, at any time, 25,000 million euros or the equivalent thereof in another currency. In the case of notes, the*

outstanding balance of any notes issued under such delegation of powers shall be computed for purposes of the aforementioned limit. In the case of warrants, the sum of the premiums and exercise prices of each issuance shall be taken into account.

- 4. The delegation shall extend to the determination of the various aspects and conditions of each issuance. By way of example, the Board of Directors shall be responsible for determining, for each issuance, (i) the amount thereof (observing the applicable quantitative limit); (ii) the number of securities and their nominal value; (iii) the applicable legislation; (iv) the type of investor to which the issuance is addressed; (v) the place of issue -whether in Spain or abroad-; (vi) currency, and if in foreign currency, the equivalent thereof in euros; (vii) the class of securities, whether notes, bonds, debentures or any other security permitted by Law, including subordinated securities; (viii) the issue date or dates; (ix) interest rate; (x) procedures and dates of coupon payment; (xi) whether they are repayable or not (including, if applicable, the possibility of repayment by the issuer) and, if appropriate, the periods and events of repayment) (in whole or in part), whether the securities are perpetual or maturing on a specific date and, in the latter case, the due date; (xii) whether the securities are mandatorily or voluntarily convertible and/or exchangeable, including on a contingent basis, and, if voluntarily convertible, at the option of the holder of the securities or of the issuer, and, if exchangeable and not convertible, whether mandatorily or voluntarily and at the option of the holder of the securities or of the issuer; (xiii) guarantees, type of reimbursement and lots and premiums; (xiv) representation, whether by certificates (registered or bearer) or book entries; (xv) where appropriate, pre-emptive rights and subscription system; (xvi) if appropriate, submit applications for listing on Spanish or foreign, official or unofficial, organized or not, or other secondary markets of the securities issued, complying with the requirements of applicable law in each case; (xvii) if appropriate, anti-dilution clauses and conversion price adjustments; (xviii) in general, any other condition of the issuance; and (xix) where applicable, appoint the security-holders' syndicate representative (comisario) or the person or entity that is to represent the holders of the securities and approve the basic rules that are to govern the legal relations between the Company and the*

syndicate or collective organization mechanism of the holders of the securities issued that may be in place, if appropriate.

The Board of Directors is further authorized, subject to the receipt of the necessary approvals and consents, to amend and/or enforce the repayment terms of the securities, their maturity, their interest rate and, in general, all terms and conditions of the issuances made in reliance on this authorization.

5. *In the event that convertible and/or exchangeable securities are issued, it is resolved to establish the following criteria for the determination of the basis and terms of the conversion and/or exchange:*
 - a) *Instruments issued under this resolution may be convertible into new shares of the Company and/or exchangeable for outstanding shares of the Company, of any of the companies of its Group or of any other company in accordance with the conversion and/or fixed exchange ratio (whether determined or determinable) or variable, with the Board of Directors having the power to decide whether they are convertible and/or exchangeable, as well as to determine whether they are subject to mandatory or voluntary conversion and/or exchange, even on a contingent basis, and if voluntary, at the option of the holder thereof or the issuer, with the frequency and for the maximum period established in the resolution approving the issuance.*
 - b) *The conversion and/or exchange ratio shall normally be fixed and, for such purposes, fixed-income securities shall be valued at their nominal value and shares shall be valued at the fixed exchange ratio determined in the Board of Directors' resolution, or at such exchange ratio as is determinable on the date or dates specified in the resolution of the Board, and on the basis of the listing price of the shares of the Company on the date or dates, or period or periods, used as a reference in such resolution. In any case, the price of the shares for purposes of the conversion and/or exchange, subject to the anti-dilution adjustments, may not be less than the arithmetic mean of the closing prices, the weighted average price or another benchmark price of the shares of the Company during the period to be determined by the Board of Directors, which*

may not be more than three months or less than one day prior to (i) the date of the holding of the Board of Directors' meeting at which the Board approves the issuance of the securities in the exercise of the powers delegated hereby, or (ii) specific dates between the announcement of the issuance and the disbursement of the securities by subscribers (both inclusive). A premium or discount on such price per share may also be established, but if there is a discount on the price per share, it may not be greater than 25% of the value of the shares used as the benchmark in accordance with the provisions above. In the event of an exchange for shares of another company (whether or not belonging to the Group) the same rules will apply, to the extent that they are appropriate and with such adjustments, if any, as may be necessary, provided, however, that such rules will refer to the listing price of the shares of such company on the respective market.

- c) Notwithstanding the provisions of paragraph b) above, the issuance of securities may be approved with a variable conversion and/or exchange ratio. In this case, the price of the shares for purposes of the conversion and/or exchange shall be the arithmetic mean of the closing prices, the weighted average price, or other benchmark price of the shares of the Company during a period to be determined by the Board of Directors, which shall not be more than three months nor less than one day prior to the date of conversion and/or exchange, with a premium or, if appropriate, a discount on such price per share. The premium or discount may be different for each conversion and/or exchange date under each issuance (or under each tranche of an issuance, if any), provided, however, that if a discount on the price per share is set, such discount may not be greater than 30%.*

Notwithstanding the foregoing, limits may be established in the form of a minimum and/or maximum benchmark price of the shares for purposes of the conversion and/or exchange thereof upon the terms decided by the Board. In the event of an exchange for shares of another company (whether or not belonging to the Group) the same rules will apply, to the extent that they are appropriate and with such adjustments, if any, as may be necessary, provided,

however, that such rules will refer to the listing price of the shares of such company on the respective market.

- d) Debentures may not be converted into shares if the nominal value of such bonds is less than the value of such shares. In addition, convertible debentures may not be issued in an amount that is less than the nominal value of such shares.*
 - e) Whenever a conversion and/or exchange is admissible, any fractional shares to be delivered to the holders of securities being converted and/or exchanged shall be rounded downward by default to the immediately lower integer, and each holder shall receive, in cash, the difference that may arise in such instance.*
 - f) When approving an issuance of convertible and/or exchangeable securities, the Board of Directors shall issue a report elaborating on and specifying the terms and conditions of the conversion that are specifically applicable. In the case of an issuance of convertible securities, this report shall be accompanied by the corresponding independent expert's report required by law.*
- 6. In any event, this delegation of powers to issue convertible and/or exchangeable securities shall include:*
- a) The power to increase share capital by the amount required to accommodate the requests for conversion. Such power may only be exercised to the extent that the Board, adding the capital increase effected to accommodate the issuance of convertible securities and any other capital increases it may have resolved to effect pursuant to authorizations granted by the General Meetings, does not exceed the limit of one-half of the amount of the share capital envisaged in the Companies Act, or 20% of such total amount of share capital if the issuance of the convertible securities excludes the pre-emptive rights of the shareholders, all in accordance with the authorization granted by the General Meeting that is in effect on the date of the resolution to increase share capital and without such provisions in any way affecting the application of any anti-dilution adjustments, when such adjustments are appropriate.*

- b) The power to completely or partially exclude the pre-emptive rights of shareholders whenever required to raise funds on domestic and international markets, to use bookbuilding techniques, to facilitate the acquisition of assets that are appropriate to further the achievement of the corporate purpose or whenever otherwise warranted for reasons of corporate interest. In the event that the Board decides to exclude the pre-emptive right of the shareholders in connection with a specific issuance of convertible securities that it may decide to effect in reliance on this authorization, it will, upon approving the issuance, formalize a report describing the specific reasons of corporate interest that warrant such measure, which will be the subject of a corresponding report by a statutory auditor appointed for such purpose by the Commercial Registry, all in accordance with the Companies Act. Both reports shall be immediately posted on the Company's website and reported at the first General Shareholders' Meeting held following adoption of the resolution approving the issuance.*
- c) The power to further develop the terms and conditions of the conversion and/or exchange, and particularly to determine the time of the conversion and/or exchange.*
7. *The Board is hereby authorized to in turn delegate to the Executive Commission the powers granted in this resolution.*
8. *The delegation to issue securities granted by the General Shareholders' Meeting of the Company on June 12, 2020 is hereby revoked to the extent that it has not been exercised.*

Madrid, March 6, 2025