

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

IN RELATION TO

**THE PROPOSAL FOR APPROVAL OF THE DIRECTORS' REMUNERATION POLICY
(ARTICLE 529 NOVODECIES OF THE SPANISH COMPANIES ACT)**

February 20, 2026

1. INTRODUCTION

This report sets forth the reasoned proposal of the Nominating, Compensation and Corporate Governance Committee ("**NCCGC**") in relation to the proposed Directors' Remuneration Policy (the "**Policy**") of Telefónica, S.A. ("**Telefónica**" or the "**Company**") that will be submitted to the General Shareholders' Meeting as a separate item on the agenda, for approval, and that will be applicable from the date of approval itself and during the following three financial years, that is, until December 31, 2029.

This report will be made available to shareholders on Telefónica's website, as required by Article 529 novodecies of the Spanish Companies Act. Said article requires that listed companies have a remuneration policy approved by the General Meeting and that any remuneration received by directors be in accordance with that remuneration policy.

Telefónica submitted for approval by the General Shareholders' Meeting held on March 31, 2023 the Directors' Remuneration Policy whose period of validity covered from the date of the aforementioned General Meeting until December 31, 2026. Taking the foregoing into account, the NCCGC proposes a new Policy that, if approved by the General Shareholders' Meeting, will be applicable from the date of its approval by the General Shareholders' Meeting until December 31, 2029, rendering ineffective the 2023-2026 Remuneration Policy currently in force.

2. PRINCIPLES OF THE POLICY

The Policy seeks to establish an alignment of the remuneration models applicable at Telefónica with the Strategic Plan in force at any given time, as well as with the interests of its stakeholders and the best corporate governance practices, based on remuneration principles and practices that are appropriate for such purposes. In particular, the proposed Policy has taken into consideration the new 2026-2030 Strategic Plan ("**Transform & Grow**") presented at the Capital Markets Day 2025.

The underlying principles of the proposed Policy reflect the principles of Telefónica's remuneration practices, which are the following:

Telefónica Remuneration Principles

Value Creation	Commitment to growth, efficiency and long-term sustainable value creation for Telefónica's stakeholders.
Link between Remuneration and Results	A significant part of the total remuneration of Executive Directors is variable in nature and its receipt is linked to the achievement of financial, business, value creation and non-financial objectives, including ESG (Environmental, Social and Governance) objectives. These predetermined, specific and quantifiable objectives are aligned with the Company's Strategic Plan.
Compliance	Variable remuneration is not guaranteed and is sufficiently flexible so that this component may not be payable.
Competitiveness	The remuneration package, both in terms of its structure and its overall amount, will be competitive compared to that of comparable entities at an international level.
Corporate Governance	When determining the remuneration of Directors, the Company considers the evolution of regulations, best practices, recommendations and national and international trends regarding the remuneration of directors of listed companies.
'Fair Pay'	Adequate remuneration of professional worth, capabilities, experience, responsibility assumed and results achieved. Alignment of the principles and criteria for action with those of other Employees, incorporating the elements included in the remuneration package of Telefónica's executive group.
'Equal Pay'	Coherence with Telefónica's inclusive culture, where there is a commitment to incorporate the management of diversity and inclusion as a key element and guarantees non-discrimination on grounds of gender, age, origin, sexual orientation and identity, religion, or race when applying remuneration practices and policies.
Suitability	Remuneration considers the qualifications, dedication and responsibility of the Directors, and due loyalty and connection to the Company, without compromising the independence of non-Executive Directors.
Transparency	The level of transparency in remuneration matters is in line with best practices in corporate governance with the aim of generating trust among stakeholders, including shareholders and investors.

3. SUMMARY OF THE NEW FEATURES INTRODUCED IN THE NEW POLICY COMPARED TO THE 2023-2026 REMUNERATION POLICY

The NCCGC maintains an ongoing dialogue with investors and shareholders in order to, among other matters, learn their opinion about the remuneration policy and assess the modifications that may be appropriate to introduce.

In addition, the NCCGC takes advantage of this interaction to provide investors and shareholders with greater context on the decisions adopted by the Board of Directors during the last financial year in this matter. Likewise, in its constant exercise of evaluation and monitoring of the Policy, the NCCGC considers the results of the votes relating to the Annual Report on Directors' Remuneration.

This new Policy is the result of a reflection process carried out by the NCCGC in which a series of factors have been considered:

- **Internal factors:** The new executive management of the Telefónica Group and the link to the 2026-2030 Strategic Plan ("Transform & Grow") and to sustainability.
- **External factors:** The recommendations received in the engagement process with investors, shareholders or others, the market practices of competing companies, as well as the regulations and general corporate governance recommendations.

In the reflection process, special consideration has been given to the fact that there have been changes in Telefónica's executive management, with the appointment, in 2025, of Mr. Marc Thomas Murtra Millar as the new Executive Chairman and, subsequently, of Mr. Emilio Gayo Rodríguez as the new Chief Operating Officer (C.O.O.). Therefore, it is proposed to adapt certain sections of the Policy with regard to the remuneration of the new Executive Directors.

As a result of the conclusions reached in the reflection process, the NCCGC submits to the Board of Directors, for submission to the General Shareholders' Meeting, a new Policy that has the following main characteristics:

- Firstly, the new Policy is aligned with the principles of Telefónica's Strategic Plan for the 2026-2030 period and the spirit of "Transform & Grow", a growth plan that is committed to efficiency and simplification of the group and its operations, and which is structured around six strategic pillars: offering a first-class customer experience, expanding the B2C offering, scaling the B2B business, developing technological capabilities, simplifying the operating model and developing talent.
- In relation to Executive Directors, the possibility of granting extraordinary remuneration continues not to be provided for.
- The Policy maintains the reduction (malus) and recovery (clawback) clauses on any element of variable remuneration, applicable when exceptional circumstances arise that affect the Company's results or that derive from inappropriate conduct by the Executive Director.
- The non-receipt by Executive Directors of the fixed allocation established for membership on the Board and, where applicable, on the Executive Committee is formalized.
- The amount of compensation in the event of termination by unilateral decision of the Company for the Executive Chairman, Mr. Marc Thomas Murtra Millar, is limited to two annual payments.
- The receipt of compensation for termination of the contract is incompatible with the recognition of any economic right related to the Executives Social Welfare Plan.

The fixed remuneration of the Executive Chairman contemplated in the proposed Policy is the same as that currently in force (unchanged since 2016) and that of the Chief Operating Officer (C.O.O.) is 9.375% lower than that of his predecessor.

Finally, no changes are introduced with respect to the remuneration of Directors in their capacity as such, proposing a remuneration regime identical to that contemplated in the 2023-2026 Remuneration Policy.

4. TERM

The Policy will be submitted for approval by the next General Shareholders' Meeting of Telefónica and, subject to its approval, will be applicable from the date of its approval until December 31, 2029, without prejudice to the adaptations or updates that, where applicable, may be carried out by the Board of Directors in accordance with the provisions thereof, and the modifications that may be approved at any given time by the General Shareholders' Meeting of Telefónica.

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In Madrid, on February 20, 2026