



Annual Report on Remuneration of Directors

Included in the Chapter 5
of the 2022 Consolidated Management Report on
Telefónica, S.A. and its Group of Companies

5.1. Annual Report on Remuneration

Introduction to the report

This section 5.1 and the section 5.2 below form the Annual Report, which must be drawn up and submitted to a vote of the General Shareholders' Meeting in an advisory manner. Pursuant to the provisions in Act 5 of April 12, 2021, amending the redrafted text of the Corporate Enterprises Act, this report forms part of the Company's Management Report and is also published as part of the Annual Corporate Governance Report. This will remain accessible on the websites of the Company and the Spanish National Securities Market Commission (CNMV) for the legally stipulated term.

This report is essentially composed of two sections:

- First, a summary of the remuneration policies that may be applicable in 2023:
 - From January 1 until the approval by the Company's General Shareholders' Meeting of the new Policy, the directors' remuneration policy approved at the Company's General Shareholders' Meeting held on April 23, 2021, with 88.97% of the votes cast (this policy can be accessed at the following link: <https://www.telefonica.com/es/wp-content/uploads/sites/4/2021/10/politica-remuneraciones-consejeros-telefonica.pdf>).
 - Until the approval by the Company's General Shareholders' Meeting of the new Policy to December 31, the directors' remuneration policy, if any, approved by the Ordinary General Shareholders' Meeting to be held in 2023. As will be explained below, this new Remuneration Policy is in keeping with the one approved on April 23, 2021.
- Secondly, it provides a description of how the Directors' Remuneration Policy has been applied throughout 2022.

Outlined below is the background against which certain decisions related to the Remuneration Policy and its application have been made and considered by the NCCGC and the Board of Directors.

Telefónica's results in 2022

In spite of the complex macroeconomic backdrop, Telefónica has once again delivered sustainable growth in 2022, evidencing its expertise in managing the business in this environment.

Telefónica has gained strength in its key markets. In Spain, OIBDA improved steadily thanks to greater efficiencies. In Brazil, the outstanding strength of Vivo's operations drove year-on-year organic OIBDA margin growth while revenues grew at double-digit rates. Germany again showed strong commercial momentum, with revenues and OIBDA accelerating. Meanwhile, VMO2 has already achieved 30% of the annual synergies projected at £540M by the end of 2022. T. Infra continues to explore opportunities for growth and value creation with its new fiber vehicles, with the inclusion of Spain and the United Kingdom in July. T. Tech is growing at scale over and above market levels and has a strong commercial funnel.

Based on the above, Telefónica has confirmed objective performance and the dividend set for 2022.

It should be recalled that the Company published its 2022 objectives on February 24, the same day that the invasion of Ukraine began. Since then, the macroeconomic environment has worsened considerably, but despite this, Telefónica revised its objectives upwards in July, and has managed to finish the year on track to meet the aforementioned growth forecast. This is further evidence of the additional management effort:

- The reported growth in Group revenue accelerated significantly to +4.7% year-on-year.
- OIBDA grew +3.0% year-on-year in organic terms thanks to revenue growth, efficiencies and synergy realisations, and effectively managing inflationary pressures.
- Capital was allocated efficiently, prioritising investments in growth. CapEx grew +4.6% organic year-on-year, bringing the organic CapEx/Sales ratio to 14.8% (in line with the target of 15%).
- Free Cash Flow has increased to €4,566M.

- The leverage ratio improved compared to the previous year, and Net Financial Debt stood at €26,687M.

As part of Telefónica's commitment to create value for its stakeholders, the following milestones were achieved in 2022:

- Reduction of CO₂ emissions by 80% compared to 2015 globally.
- Publication of the in-depth Life Cycle Analysis of connectivity solutions according to the EU Taxonomy criteria (first company in the sector to do this).
- Approval by the Board of Directors of the Group's Equality Policy, which addresses wage gaps, equal opportunities and greater parity.
- 31.3% female executives at December 31, 2022.

In addition, in the macroeconomic context and high uncertainty, the 2022 Total Shareholder Return ("TSR") was -5.27% while the median TSR of the companies that make up the comparison group for measuring this objective in Long-Term Variable Compensation was -23.7%. Accordingly, Telefónica is in fifth position compared to the 14 companies which comprise the said group.

New Remuneration Policy to be proposed at the General Shareholders' Meeting

Following the General Shareholders' Meeting held each year, the NCCGC carries out a process of reflection on the adequacy of the Remuneration Policy to Telefónica's strategic objectives and the interests of its stakeholders.

As part of its commitment to ongoing listening to its shareholders, the NCCGC maintains a constant and transparent dialogue with shareholders to learn, inter alia, their opinion on the remuneration policy and to test any changes that may be appropriate. The NCCGC also takes advantage of this interaction to provide shareholders with more context on the decisions taken by the Board of Directors over the past fiscal year.

The reflection process also took into account the results of the votes on the annual report on directors' remuneration in the last two fiscal years and those relating to the directors' remuneration policy approved on April 23, 2021.

Based on the findings of the reflection process, the NCCGC has proposed to the Board of Directors a new Remuneration Policy with the following features:

- The proposed new policy continues along the lines of the policy approved at the General Shareholders' Meeting held on April 23, 2021.
- In relation to the Executive Directors:
 - The possibility of granting extraordinary remuneration is removed.
 - Both the amounts and the characteristics of the fixed and variable elements of remuneration remain

unchanged. In this respect, the Fixed Remuneration remains unchanged since 2013.

- Notwithstanding the above, the maximum amount of Short-Term Variable Remuneration 2023 is limited to 125% of target. This maximum level is lower than the one included in the Remuneration Policy and the one set in 2022 (129.5% of the target).
- The period in which it is possible to recover all or part of any of the Executive Directors' variable remuneration components after they have been paid (clawback), is extended by twelve (12) additional months, up to thirty-six (36) months.
- There is no change with respect to the remuneration of the Directors in their position as such.

This new Remuneration Policy will be brought to a vote at the Ordinary General Shareholders' Meeting to be held in 2023 and if approved, will come into effect on the same day.

Remuneration accrued in 2022 by the Executive Directors

The most relevant aspects of the remuneration accrued in 2022 by the Executive Directors are detailed below:

- **Total remuneration accrued in 2022 vs. 2021:** decrease of **22.2%** for the **Executive Chairman** and **24.5%** for the **Chief Operating Officer**.
- **Total variable remuneration accrued vs. variable remuneration initially granted:** **63.6%** for the **Executive Chairman** and **61.5%** for the **Chief Operating Officer**.
- **Short-Term Variable Remuneration:** The relative metrics and weights determined for 2022 were Operative Revenue (30%), OIBDA (30%), Free Cash Flow (20%) and non-financial objectives - ESG (20%).

Bearing in mind the foregoing, the weighted payment coefficient has risen to 121.3% of the maximum amount. This percentage is mainly explained by the fact that the degree of performance of the financial objectives as a whole was above 100%. In addition, the degree of performance of the non-financial - ESG objectives as a whole has also exceeded the target levels.

- **Long-Term Variable Remuneration:** The performance period for the third cycle (2020-2023) of the 2018-2023 Long Term Incentive Plan ended on December 31, 2022. 50% of the incentive was subject to the relative TSR and 50% to the Free Cash Flow generated in each of the years in the performance period. No amount whatsoever was accrued regarding the relative TSR due to the behavior of Telefónica's shares related to the comparison group, notwithstanding the improved performance of the stock. However, the Free Cash Flow target has been achieved. The incentive shall be paid during March 2023.

Taking into account the Telefónica's share price as at December 31, 2022, the economic value of the incentive to be received in shares by the Executive Directors is of 25.35% of the incentive originally awarded.

The sections below set out information on the applicable guidelines for the Directors' remuneration, along with a breakdown of the remuneration for the 2022 fiscal year and forecasts for the 2023 fiscal year.

5.1.1. Principles of the Remuneration Policy

GRI 2-19

The main focus of Telefónica's remunerative strategy is to attract, retain and motivate professionals of the Company, enabling it to achieve its strategic targets within the highly competitive and globalised setting in which it performs its business, by applying the most appropriate measures and practices for such purpose.

Based on the foregoing, the principles of the Remuneration Policy are the following:

		Executive Directors	Non-Executive Directors
Value creation	The Policy is consistent with Telefónica's commitment to growth, efficiency and long-term sustainable value creation for its stakeholders.	•	
Pay for Performance	A significant part of the total remuneration for the Executive Directors is variable and receiving it is subject to achieving financial, business, value creation and non-financial objectives, including ESG objectives. These objectives are predetermined, specific, quantifiable and aligned with the Company's corporate plan.	•	
Flexibility	The variable remuneration is not guaranteed and is sufficiently flexible so that there is a possibility of not paying this component.	•	
Competitiveness	In order to ensure the Company has the best professionals on board, the remuneration package must be competitive, both in its structure and its overall amount, with respect to other comparable companies at an international level.	•	•
Good Governance	When determining the remuneration for the Directors, the Company takes into consideration the developments taking place in regulations, best practices and national and international recommendations and trends related to the remuneration of Directors of companies listed on the stock market.	•	•
Fair Pay	Fair remuneration is provided for professional value, skills, experience, responsibility undertaken and results achieved. The Remuneration Policy for the Executive Directors is aligned with the policy for the other employees and shares the same principles and criteria for action and incorporating the components included in the remuneration package for Telefónica's management group. The Policy is consistent with Telefónica's inclusive culture, which includes a commitment to diversity and inclusion management as a key element in connecting talent and growth as a company.	•	•
Suitability	The amounts are sufficient to remunerate the qualifications, time spent and responsibility of the Directors, guaranteeing their required loyalty and allegiance to the Company, without compromising the independence of the Non-Executive Directors.		•
Transparency	The level of transparency in relation to remuneration is in line with the best corporate governance practices in order to create trust among all the stakeholders, including shareholders and investors.	•	•

The principles set out in this section are applicable both to the Remuneration Policy approved at the General Shareholders' Meeting held on April 23, 2021 and to the Remuneration Policy to be submitted to the General Shareholders' Meeting to be held in 2023.

5.1.2. Our remuneration practices

GRI 2-19

Executive Directors

- Linking the payment of the remuneration to the Company's results ("pay for performance").
- The weighting of the financial metrics to which the Variable Remuneration is linked represents at least 80%.
- The remuneration is in line with the interests of our stakeholders, such that variable remuneration is linked to both financial and shareholder return objectives as well as non-financial objectives, including ESG (Environmental, Social and Governance) objectives.
- Long-Term Incentive Plans:
 - A minimum performance period of three years for measurement of the objectives.
 - Mainly in shares.
 - Linked to metrics aligned with Telefónica's long-term strategic objectives.
 - Inclusion of ESG linked objectives.
 - Holding 100% of the awarded shares for a term of 24 months. This term is extended to 3 years extension as long as the number of shares subject to the permanent holding commitment has not been reached..
- Specific and uniform *malus* and clawback clauses, which are applied to any variable remuneration component.
- Commitment to permanently hold shares for a value equivalent to twice the fixed remuneration.
- Consideration of the quality of the results in the long-term and any associated risk in the evaluation process of variable remuneration.
- Recurrent external advice for the purpose of considering market practices as an additional factor to be taken into account in the process of adopting decisions on the Policy's design.
- No variable remuneration is guaranteed and the possibility of awarding extraordinary remuneration is not included. The Policy is consistent with Telefónica's commitment to diversity and inclusion management as a key element in connecting talent and growth as a company. Accordingly, Telefónica's staff is remunerated on the basis of their professional value, skills, experience, responsibility undertaken and results achieved.

Non-Executive Directors

- Remuneration is determined in accordance with the responsibilities and duties undertaken by each Director but without compromising its independence.
- The Non-Executive Directors are not included in the remuneration formulae or systems linked to the individual or Company's performance.
- The Non-Executive Directors are not paid in shares, options, stock options or remuneration rights tied to the value thereof.
- The Non-Executive Directors do not participate in any long-term savings systems, such as retirement plans, pension plans and any other welfare systems.

5.1.3. The Remuneration Policy of Telefónica applicable in 2023

As specified in the introduction to the report, the NCCGC regularly conducts a reflection process on the applicable Remuneration Policy, in which it considers both internal and external factors:

Internal factors

- Short- and long-term objectives.
- The results obtained by the Group.
- The link to the corporate plan and sustainability.
- The alignment with the general remuneration policy for the Company's employees.

External factors

- The recommendations received in the engagement process that Telefónica regularly conducts with investors, shareholders and proxy advisors.
- Market practices of relevant companies for Telefónica due to being competitors for business or talent and companies considered high performers,
- General corporate governance regulations and recommendations at a national and international level.

Of particular significance were the comments, recommendations and suggestions received from shareholders regarding the Remuneration Policy. The NCCGC also took into account the results of the votes on the annual report on directors' remuneration in the last two fiscal years and those relating to the directors' remuneration policy approved on April 23, 2021.

Bearing in mind all of the above, the NCCGC has proposed a new Remuneration Policy to the Board of Directors, which is in keeping with the previous policy. As regards the Executive Directors, both the amounts and features of the fixed and variable components of remuneration remain

unchanged. In addition, the new Remuneration Policy removes the possibility of awarding extraordinary remuneration and extends up to thirty six (36) months the period in which it is possible to recover all or part of any of the Executive Directors' variable remuneration components after they have been paid (clawback).

No change was made to the Directors' remuneration in their positions as such.

This new Remuneration Policy will be brought to a vote at the General Shareholders' Meeting to be held in 2023 and, if approved, will come into effect on the same day. Until that date, the Remuneration Policy approved by the Ordinary General Shareholders' Meeting held on April 23, 2021 will be in effect.

5.1.4. The Executive Directors' remuneration in 2023

- **The possibility of granting extraordinary remuneration is removed.**
- **Both the amounts and characteristics of the fixed and variable elements of remuneration remain unchanged or have been reduced.**
- **Performance-related remuneration is significant in relation to total remuneration (79% for the Executive Chairman and 77% for the Chief Operating Officer, in a target scenario).**
- **The Fixed Remuneration of the Executive Chairman remains the same since 2013. In the case of the Chief Operating Officer, amounts remain unchanged since his appointment in 2017.**
- **The maximum amount of the Short-Term Variable Remuneration has been reduced to 125% of the target amount (in 2022 the maximum was up to 129.5%). The same targets and weightings set in 2022 are maintained.**
- **The third cycle of the Long-Term Incentive Plan 2021-2026 is granted, which is linked to the same targets set in the two previous cycles (relative TSR, Free Cash Flow and neutralization of CO₂ emissions). As in previous years, the value of the maximum shares allocated in each of the Plan's cycles is lower than the maximum limit set in the Remuneration Policy.**

As specified above, on the date of this Report, the Executive Directors of Telefónica, S.A. are Mr. José María Álvarez-Pallete López, Executive Chairman, and Mr. Ángel Vilá Boix, Chief Operating Officer/COO.

Pay for performance and pay mix

The remunerative system for Telefónica's Executive Directors is characterized by its competitiveness and high demands. The variable remuneration, which is designed to incentivize achievement of the company's short- and long-term objectives, is one of the fundamental pillars of this system.

In this respect, Telefónica's long-term strategy is based on the following three basic pillars, which are linked to the variable remuneration of Telefónica's whole human team:

- i. Growth, in the form of Operative Revenue and Total Shareholders Return;
- ii. Efficiency, through improving the OIBDA, generating Free Cash Flow and efficient consumption of natural resources or the circular economy;
- iii. Trust. Telefónica is a company that is fully committed to sustainability. For such purpose, factors such as customer trust, society trust, gender equality or the contribution to the reduction of climate change are weighted.

Therefore, receiving the Short-Term and Long-Term Variable Remuneration is linked to achieving certain financial and business operational as well as sustainability (ESG) objectives.

All the objectives are predetermined, specific, quantifiable and aligned with Telefónica's strategic goals, strictly determined and assessed by the NCCGC, which monitors them, so that their alignment with Telefónica's social interests is ensured.

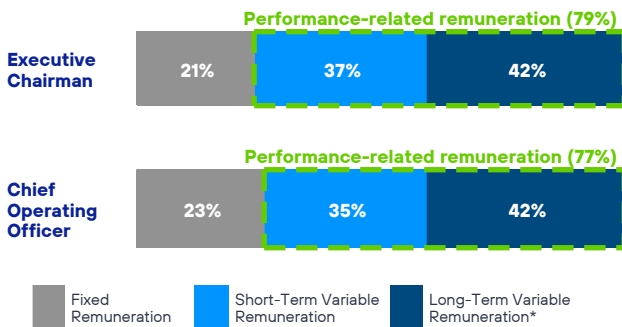
The Executive Directors' pay package is leveraged mainly on variable remuneration, with most of the total remuneration being received only if the objectives set out for the short- and long-term variable remuneration are met. This pay structure is consistent with the "pay for performance" principle

The Executive Directors therefore may not receive any variable remuneration in the event that the minimum performance thresholds are not met. The short-term and long-term variable remuneration percentage is significant in relation to the total remuneration. In any case, such percentage of their total remuneration (considering, for such purpose, the sum of the Fixed Remuneration, Short-Term Variable Remuneration and the annualized long-term incentive) can reach a maximum of 85%.

The pay mix for Telefónica’s Executive Directors is shown below, assuming a situation in which the stipulated targets are achieved:

Executive Directors' remuneration structure for 2023

At Telefónica, results-based remuneration has a significant weighting in total remuneration (remuneration structure for 100% or target level achievement)*



*The remuneration mix is shown in accordance with a Long-Term Variable Remuneration allocation equivalent to 200% of the Fixed Remuneration for the Executive Chairman and 180% for the Chief Operating Officer. To this end, Fixed Remuneration does not include remuneration in kind, contributions to pension plans for Telefónica employees or contributions to the Executive Pension Plan.

	Type of objective	Metric	Weighting
Short-Term Variable Remuneration	Operating and financial objectives (80%)	Operating Revenue	30%
		OIBDA	30%
		Free Cash Flow	20%
	Sustainability objectives - ESG (20%)	NPS	5%
		NPS GAP	4%
		Climate Change - GHG Emissions	5%
		Gender Equality - % of women in executive positions	3%
Society Trust - REP Trak	Society Trust - REP Trak	3%	
	Value creation for shareholders and financial objectives (90%)	Relative TSR*	50%
		Free Cash Flow	40%
Long-Term Variable Remuneration	Sustainability objectives - ESG (10%)	Neutralization of CO ₂ Emissions	10%

*The comparison group consists of companies belonging to the telecommunications sector, weighted according to their relevance for Telefónica.

Components of the remuneration package in 2023:

The elements included in the remuneration package for executive directors for the performance of their executive duties are similar to those of the 2022 fiscal year, however, without the possibility of awarding any extraordinary variable remuneration:

A. FIXED REMUNERATION

Purpose:

Suitable compensation for performing their executive duties according to the level of responsibility, leadership and performance within the organization, promoting the retention of key staff and attracting top talent and creating sufficient economic independence to balance the significance of other remunerative items.

Amount:

No increases in the Executive Directors’ fixed remuneration are expected during 2023.

Executive Chairman: €1,923,100.

This remuneration is the same as the amount paid since 2013 and it was determined for his position as Chief Operating Officer and remained the same after his appointment as Chairman in 2016.

Chief Operating Officer: €1,600,000.

This remuneration is the same as the amount paid when Mr. Vilá was appointed as a Chief Operating Officer of the company on 26 July 2017.

Functioning:

The annual gross fixed remuneration is paid on a monthly basis in cash. This remuneration is set by the Board of Directors at the proposal of the NCCGC and may be adjusted every year depending on the criteria approved from time to time by the NCCGC. The maximum annualized increase during the term of the Policy may not exceed 10% of the gross annual salary. In certain situations, such as a change in the size and complexity of the business, a change in responsibility, development in the position and/or special retention and motivation needs, the NCCGC may decide to apply higher increases. The underlying reasons will be explained in the relevant Annual Report on the Directors’ Remuneration.

B. SHORT-TERM VARIABLE REMUNERATION

Purpose:

To reward the performance of a combination of financial, operational, business and non-financial objectives, including ESG objectives, that are predetermined, specific, measurable and aligned with Telefónica's strategic objectives.

Amount:

Target Amount (this is reached when 100% of the pre-determined targets have been achieved):

- i. The Executive Chairman: 180% of the Fixed Remuneration.
- ii. The Chief Operating Officer: 150% of the Fixed Remuneration.

These amounts remain the same since 2018

Maximum Amount (this is reached when the pre-determined targets are achieved at the maximum level):

- i. The Executive Chairman: 225% of the Fixed Remuneration (125% of the Target Amount).
- ii. The Chief Operating Officer: 187.5% of the Fixed Remuneration (125% of the target).

These amounts have been reduced compared to 2022 and compared to those set out in the Remuneration Policy.

Metrics:

For the fiscal year 2023, the NCCGC has reviewed the objectives, metrics and performance scales to be applied in order to ensure fulfillment of the Telefónica Group's corporate Plan. As a result, the Board of Directors has selected the quantifiable and measurable metrics that best reflect the Telefónica Group's value creation levers, according to a proposal made by the NCCGC:

- 80% of the objectives are operational and financial:
 - 30% of the objectives are linked to the Operating Revenue, which enables the Telefónica Group's growth to be measured.
 - 30% of the objectives are linked to the OIBDA, which reflects both the Group's growth and development in operational execution.
 - 20% of the objectives is linked to the Free Cash Flow, which is key to meeting the Company's financial commitments.
- The remaining 20% is linked to sustainability (ESG) objectives, aligned with the company's Corporate Plan:

- 9% of the objectives are linked to Customer Trust, not only related to Telefónica but also in relative terms compared with our competitors:
- NPS (5%).
- NPS GAP (4%).
- 11% of the objectives are linked to other sustainability (ESG) targets:
 - Climate Change (GHG Emissions 5%).
 - Gender Equality - % of Women in executive positions (3%).
 - Society's Trust (REP Trak - 3%).

Functioning:

The aforementioned objectives are approved by the Board of Directors at the beginning of each fiscal year, according to a proposal made by the NCCGC. The maximum level of the Short-Term Variable Remuneration in 2023 is set at 125% of target in the case of the maximum achievement of the pre-determined targets. This maximum level is lower than that set out in the Remuneration Policy (129.5% of target).

For the purpose of calculating the payment coefficient obtained for each level of objective performance, a performance scale is determined for each metric, which includes a minimum threshold below which no incentive is paid. In the case of 100% objective performance, the target Short-Term Variable Remuneration will be paid and, in case of maximum objective performance the maximum Short-Term Variable Remuneration will be received.

Information in greater detail is provided below about the scales for achieving each of the targets and how the stipulated maximum is achieved:

Metrics	Weighting (%)	Payments levels (% of target)			% of maximum weighted payment
		Min.	Target	Max.	
Financial Objectives (80%)					
Operating Revenue	30%	50%	100%	125%	37.50%
OIBDA	30%	50%	100%	140%	42.00%
Free Cash Flow	20%	50%	100%	125%	25.00%
ESG Objectives (20%)					
NPS	5%	50%	100%	125%	6.25%
NPS GAP	4%	50%	100%	125%	5.00%
Climate Change - GHG Emissions	5%	50%	100%	125%	6.25%
Gender Equality - % of women in executive positions	3%	50%	100%	125%	3.75%
Society's Trust - REP Trak	3%	50%	100%	125%	3.75%
		100%			129.50%

In order to calculate the amount of the Short-Term Variable Remuneration, the NCCGC firstly considers the level of performance and weighting of each target on an individual basis and then the overall level of achievement of the objectives as a whole. For such purpose, it applies the internal objective assessment rules and procedures set out by the Company for its executives. When conducting this assessment, the NCCGC is supported by the Audit and Supervisory Committee, which provides information about the results audited by the company's external auditor (PRICEWATERHOUSECOOPERS AUDITORES, S.L.) and by the internal audit. The Committee also considers any associated risk for both setting the targets and assessing their performance thereof.

In this respect, any positive or negative economic effects caused by extraordinary events that could distort the findings of the assessment are disregarded and the long-term quality of the results and any associated risk are considered in the proposed Short-Term Variable Remuneration.

The Short-Term Variable Remuneration is fully paid in cash providing the targets set for this purpose have been achieved. This remuneration will not be paid until the NCCGC and the Audit and Supervisory Committee have carried out the actions described above in the first quarter of the following year.

Moreover, the NCCGC is authorized make a proposal to the Board of Directors to fully or partially cancel payment of the short-term variable remuneration if certain unforeseen circumstances arise, as described in this Report, as well as its partial or full clawback within twenty-four (24) months after the payment thereof.

C. LONG-TERM VARIABLE REMUNERATION

Purpose:

To increase the Executive Directors' and management team's commitment to the company and its corporate plan, linking their remuneration to creating value for the shareholders and sustainable strategic objective performance, so that they are in line with the best remuneration practices. In turn, by means of its Long-Term Incentive Plan, the company also aims at offering a competitive remuneration package that contributes to retaining the managers who hold key positions in the organization.

Description:

A new Long-Term Incentive Plan 2021-2026 was approved by the General Shareholders' Meeting held in 2021, consisting of payment with Telefónica, S.A.'s shares. The Executives of the Telefónica Group, including the Executive Directors of Telefónica, S.A., who meet the requirements stipulated for such purpose from time to time, are invited to take part in such Plan.

The total term of the Plan is five (5) years divided into three (3) cycles, which are independent from each other, of three (3) years each (in other words, by delivering the

shares corresponding to each cycle once three years have elapsed counted from the start of each cycle).

1. The first cycle 2021-2024: The target measurement period began on January 1, 2021 and will end on 31 December 2023. If the objectives are achieved, the shares will be settled in 2024, once the annual accounts for the fiscal year 2023 have been drawn up and audited.

The number of shares granted represented, at their grant value, 200% of the Fixed Remuneration for the Executive Chairman and 180% of the Fixed Remuneration for the Chief Operating Officer.

2. The second cycle 2022-2025: The performance period began on January 1, 2022 and will end on December 31, 2024. If the objectives are achieved, the shares will be settled in 2025, once the annual accounts for the fiscal year 2024 have been drawn up and audited.

The number of shares granted represented, at their assignment value, 200% of the Fixed Remuneration for the Executive Chairman and 180% of the Fixed Remuneration for the Chief Operating Officer.

3. The third and last cycle 2023-2026: The performance period will begin on January 1, 2023 and will end on December 31, 2025. If the objectives are achieved, the shares will be settled in 2026, once the annual accounts for the year 2025 have been drawn up and audited.

The number of shares granted represented, at their assignment value, 200% of the Fixed Remuneration for the Executive Chairman and 180% of the Fixed Remuneration for the Chief Operating Officer.

Metrics of the Long-Term Incentive Plan 2021-2026:

The metrics determined for the Third Cycle of the Long-Term Incentive Plan 2021-2026 are the Relative TSR (50%), Free Cash Flow (40%) and Neutralization of CO₂ Emissions (10%).

Metrics	Weighting (%)	Company results	Incentive to be accrued (%)
Relative TSR ¹	50%	75th percentile or above	100%
		Median	30%
		Below median	0%
Free Cash Flow	40%	100% achievement	100%
		90% achievement	50%
		Lower than 90% achievement	0%
Neutralization of CO ₂ emissions: scopes 1+2 in 2025 ²	10%	100% achievement	100%
		90% achievement	50%
		Lower than 90% achievement	0%

¹Comparison group: Vodafone Group, America Movil, Deutsche Telekom, BT Group, Orange, Telecom Italia, Telenor, TellaSonera, Swisscom, Koninklijke, KPN, TIM Brasil, Proximus, Millicom, Liberty Global.

²In addition, in order for the incentive to be paid, a minimum level of emission reductions must be achieved.

Each of these metrics is explained below:

Relative TSR (50%)

Definition: Share profitability taking into account the sum of the cumulative variation of Telefónica's share value, plus the dividends and other similar items received by shareholders during the cycle in question.

Determining the level of achievement: The evolution of TSR from Telefónica's shares is measured from the beginning of the cycle (2023) until the end of such cycle (2025), in relation to the TSR from other companies pertaining to the telecommunication sector, weighted depending on their relevance to Telefónica S.A. that, for the purpose of the Plan, will be used as the comparison group. The companies included in the comparison group are the following: Vodafone Group, America Movil, Deutsche Telekom, BT Group, Orange, Telecom Italia, Telenor, TeliaSonera, Swisscom, Koninklijke KPN, TIM Brasil, Proximus, Millicom y Liberty Global.

Performance Scale: The number of shares to be delivered associated with the performance of this objective will be between 15% of the number of theoretical shares granted, in the case the evolution of the TSR of Telefónica S.A.'s shares is, at least, the median of the Comparison Group (below this threshold no incentive will be payable) and 50% if the evolution is in the third or higher quartile of the comparison group. The percentage by linear interpolation is calculated for those that are between the median and the third quartile.

Free Cash Flow (40%)

Definition: Free cash flow generation (FCF).

Determining the level of achievement: The level of FCF generated by the Telefónica Group is measured during each year, in comparison with the value set in the budgets approved by the Board of Directors for each year, considering the final level of FCF performance, the average of the annual partial results obtained and approved by the NCCGC.

Performance Scale: For each cycle, the Board of Directors, according to a proposal made by the NCCGC, determines a performance scale that includes a minimum threshold of 90% performance, below which no incentive is paid and the performance of which implies 20% of the theoretical shares granted being delivered, and a maximum level of 100% performance, which implies 40% of the theoretical shares granted being delivered.

Neutralization of CO₂ Emissions (10%)

Definition: Level of neutralization of the Telefónica Group's CO₂ emissions level by December 31, 2025, with the additional requirement for this part of the incentive to be paid being to achieve a minimum level of scope 1 + 2 emissions reduction, in line with the 1.5 °C scenario of the Paris Agreement (SBTi) and with the Company's objective

of neutralise all its emissions to reach 1+2 by 2025 in its main markets.

Emissions neutralization refers to the purchase of carbon credits to absorb CO₂ from the atmosphere.

Carbon credits involve the purchase of CO₂ certificates on the voluntary market. These credits are generated from projects that absorb or reduce CO₂ from the atmosphere, which must be certified to international standards of the highest quality and where possible have social benefits associated with them. This is verified on an annual basis by an external auditor.

By 2023 and 2024, in line with Telefónica's Climate Action Plan, and SBTi recommendations, carbon credits from reduced emissions from deforestation and degradation will be allowed, with the aim of contributing to slowing deforestation in certain regions where Telefónica has operations.

Scope 1 and 2 emissions consist of direct and indirect CO₂ emissions from daily activity caused by fuel consumption, leakage of refrigerant gases and electricity use.

Determining the level of achievement: Neutralisation/ offsetting of emissions is calculated as the difference between Scope 1+2 emissions and the amount of carbon credits retired on behalf of the Company.

The level of direct and indirect CO₂ emissions from Telefónica's daily activity is calculated in accordance with the following formula:

$$\text{CO}_2 \text{ emission} = \text{Activity Data} \times \text{Emission Factor}$$

Where:

- Activity Data: The amount of energy, fuel, gas, etc. consumed by the company during the year.
- Emission Factor: The amount of CO₂ emitted into the atmosphere by the consumption of each activity unit.

For electricity, the emission factor provided by official sources (European Union, Ministries, CNMC, etc.) is used and for fuels the GHG Protocol emission factors are used.

Performance Scale: For each cycle, the Board of Directors, according to a proposal made by the NCCGC, determines a performance scale that includes a minimum threshold of 90% achievement, below which no incentive is paid and the achievement of which implies 5% of the theoretical shares granted being delivered, and a maximum level of 100% achievement, which implies 10% of the theoretical shares granted being delivered. In addition, achieving a minimum level of emission reductions of Scope 1 + 2, in line with the 1.5°C scenario of the Paris Agreement (SBTi), will be necessary for this part of the incentive to be paid.

Operation of the third cycle of the Long-Term Incentive Plan 2021-2026:

The NCCGC conducts an assessment of the objectives on an annual basis and, once each cycle has ended, the level of performance is determined. When conducting this

assessment, the NCCGC is supported by the Audit and Supervisory Committee, which provides information on the results audited by the external auditor and the Company's internal auditor, which will have been analyzed first by the Audit and Supervisory Committee itself. The NCCGC also considers any associated risk for both setting the targets and assessing their achievement.

When determining the objective performance level, any positive or negative economic effects caused by extraordinary events that may distort the findings of the assessment are disregarded and the long-term quality of the results are considered in the proposed Long-Term Variable Remuneration.

In order for each of the members to be entitled to receive the corresponding shares, they must have held an employment or commercial relationship with the Telefónica Group on the date the shares of each cycle are settled (subject to the exceptions considered appropriate) and they must have been associated with the Telefónica Group for at least one year.

The Members will not receive the shares to which they may be entitled until the NCCGC and the Audit and Supervisory Committee have carried out the actions described above. The amount paid, if any, will be subject to the malus and clawback clauses set forth in the following subsection "Malus and clawback clauses for the variable remuneration" of this Report.

In any case, 100% of the shares settled within the scope of the Plan to the Executive Directors are subject to a retention period of two years. In addition, as stipulated in Remuneration Policy the Executive Directors must hold (directly or indirectly) a number of shares (including those settled as remuneration) equivalent to two years' gross fixed remuneration as long as they are members on the Board of Directors and perform executive duties.

Until this requirement is met, the retention period for any shares given to Executive Directors under the Plan, if any, is three years.

The foregoing is not applicable to the shares that the Executive Directors need to sell to pay the costs related to their acquisition or, with prior consideration of the NCCGC, to cover extraordinary situations where this is required.

Incentives assigned to the Long-Term Variable Remuneration in force in 2023:

As mentioned above, the cycles in force in 2023 related to the long-term incentive plans are as follows:

	Performance period	Year shares are delivered	Number of granted shares (Value of shares granted as percentage of Fixed Remuneration)	
			Executive Chairman	Chief Operating Officer
Long-Term Incentive Plan 2021-2026:				
First cycle	2021-2023	2024	1,094,000 (200)%	819,000 (180)%
Second cycle	2022-2024	2025	995,000 (200)%	745,000 (180)%
Third cycle	2023-2025	2026	1,110,000 (200)%	831,000 (180)%

The value of the maximum shares granted in each cycle of the Plan is lower than the upper limit set in the Remuneration Policy (250% of the Fixed Remuneration) and in the resolution of the General Shareholders' Meeting held on April 23, 2021.

- First cycle 2021-2024: The maximum number of shares represented, at their grant value, 200% of the Fixed Remuneration for the Executive Chairman (1,094,000 shares) and 180% for the Chief Operating Officer (819,000 shares). In case of over-performance of objectives, no additional shares will be awarded. The number of shares stated above is the maximum number of shares that Executive Directors may receive if they meet or exceed 100% of the targets.
- Second cycle 2022-2025: The grant value of the first cycle (200% of the Fixed Remuneration for the Executive Chairman and 180% for the Chief Operating Officer) has been maintained, with a maximum number of 995,000 shares granted to the Executive Chairman and 745,000 shares granted to the Chief Operating Officer. In case of over-performance of targets, no additional shares will be awarded. In this regard, the number of shares stated above is the maximum number of shares that Executive Directors may receive if they meet or exceed 100% of the objectives.
- Third cycle: 2023-2026: The grant value of the first cycle (200% of the Fixed Remuneration for the Executive Chairman and 180% for the Chief Operating Officer) has been maintained, with a maximum number of 1,110,000 shares granted to the Executive Chairman and 831,000 shares granted to the Chief Operating Officer. In case of over-performance of objectives, no additional shares would be awarded. The number of shares stated above is the maximum number of shares that Executive Directors may receive if they meet or exceed 100% of the objectives.

As noted in this Report, as well as in previous annual reports on directors' remuneration, the maximum number of shares granted under each of the cycles is significantly

lower than the maximum limit approved by the Annual General Meeting in 2021.

The number of shares to be provided at the end of each cycle of the Plan will depend on the maximum number of shares granted and the level at which the objectives of the Plan are achieved.

Impact of a change in control on Long-Term Variable Remuneration:

In the event of a change in control in Telefónica, the cycles in progress in 2023 will be subject to early settlement on a pro rata basis, delivering to the Members, where appropriate, the shares, or the equivalent amount in cash, taking into account for such purpose the closing price of the last stock exchange session of the month immediately prior to the date on which the change of control occurs.

The incentive to be paid is pro-rated for the time elapsed since the start date of the relevant cycle, and adjusted according to the achievement of targets on the date of the change of control.

D. PENSION PLAN FOR TELEFÓNICA'S EMPLOYEES

Contributions

The Pension Plan for the Executive Directors follows the same structure as in recent years and both the determination of the amounts and the conditions described below are identical to those applied to the rest of Telefónica's staff in Spain:

- The Executive Chairman: 6.87% of his base salary, plus 2.2% as a mandatory contribution to be made by the Executive Chairman up to the maximum annual limit that the law stipulates from time to time.
- Chief Operating Officer: 4.51% of his base salary, plus 2.2% as a mandatory contribution to be made by the Chief Operating Officer up to the maximum annual limit that the law stipulates from time to time.

Functioning:

As described in each of the Executive Directors contracts, the Pension Plan is a defined-contribution plan and the contingencies covered are as follows: retirement; the member's death; the beneficiary's death; total and permanent disability to work in one's usual profession, absolute and permanent incapacity for all work and serious disability; and severe or major dependency of the member.

The benefits consist of the economic right accrued by the beneficiaries as a result of the occurrence of any of the contingencies covered by this Pension Plan. It is quantified according to the number of account units that correspond to each member based on the amounts contributed to the Pension Plan and is assessed for the purpose of payment according to the value of the account unit from the business day before the date when the benefits become effective.

The members may also exercise their vested rights, in whole or in part, on an exceptional basis in the event of serious illness or long-term unemployment.

The Pension Plan is included within the "Fonditel B Fondo de Pensiones," managed by Fonditel Pensiones, EGFP, S.A.

In the fiscal year 2023 the law may change the financial and tax limits for contributions to pension plans. In this respect, as has been the case in the past, a collective unit-link insurance policy has been taken out to cover the excess of contribution over the annual fiscal limits included in the legislation

This unit-link insurance policy taken out with the company Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros covers the same contingencies as those included in the Pension Plan with the same exceptional liquidity events in the case of serious illness or long-term unemployment.

E. REMUNERATION IN KIND

In addition to the life insurance policy covering death or disability described above, the Executive Directors are provided with a general health insurance policy and dental coverage as remuneration in kind and they are also provided with a company vehicle, all of the foregoing in line with the general policy applicable to the Company's Executives.

The Executive Directors also participate in the Global Employee Share Purchase Plan (GESP), under the same conditions as the rest of Telefónica's employees. The Executive Directors have decided to allocate the maximum amount established in the GESP (€1,800) to the acquisition of shares.

Moreover, Telefónica has taken out a third-party liability insurance policy (D&O) for its managers, executives and staff performing similar duties in the Telefónica Group, with the usual terms and conditions for these kinds of insurance policies. This policy also includes the company's subsidiaries in certain cases.

Malus and clawback clauses for the variable remuneration

Regarding clawback formulae or clauses in order to claim the return of the variable remuneration components based on results, the following should be taken into account if such components have been paid based on data that is later clearly shown to be inaccurate, and in order to adopt measures to avoid any conflict of interest:

- The NCCGC is authorized to propose cancellation of payment of the variable remuneration to the Board of Directors under circumstances of this kind.
- Furthermore, the NCCGC must assess whether exceptional circumstances of this kind could even lead to termination of the relationship with the respective party or parties responsible, proposing to the Board of

Directors that such measures should be adopted as may be appropriate.

The Remuneration Policy standardizes the malus and clawback clauses for all variable remuneration. The Remuneration Policy to be submitted to the vote of the AGM in 2023 stipulates that the Board of Directors will decide, with a prior report issued by the NCCGC, if necessary, on the following: (i) partial or full cancellation of the variable remuneration pending payment (malus) and/or (ii) partial or full recovery of any variable remuneration component within thirty-six (36) months after its payment (clawback), if certain exceptional situations arise that affect the Company's results or are related to the Executive Director's inappropriate conduct.

For these purposes, exceptional situations shall be deemed as those that will be subject to assessment by the Board of Directors, among others, as examples but not limited thereto, the following:

- Reformulating the company's financial statements without being based on an amendment of the applicable accounting standards.
- If the Executive Officer has been sanctioned for a serious breach of the code of conduct and other internal regulations or serious breach of the regulations that are also applicable thereto.
- In any case, when it is shown that the variable remuneration component in question has been partially or fully assessed based on information that is clearly proven to be false or inaccurate *a posteriori*, or other unforeseen circumstances not accepted by the company that have a serious negative impact on the profit and loss accounts.
- If the company's external auditor includes exceptions in its report that reduce the results taken into consideration to determine the amount of the variable remuneration payable.

In addition, the malus and clawback clauses set in the Long-Term Incentive Plan 2018-2023, approved by the General Shareholders' Meeting held in 2018, the characteristics of which are set out in the Annual Report on Directors' Remuneration for the years 2018, 2019 and 2020, will remain in force.

Furthermore, the variable remuneration set out in this Policy shall be subject to any other clawback clauses or commitments established in the Company's Variable Remuneration Clawback Policy, if any, approved by the Board of Directors, at the proposal of the NCCGC, in order to, among other purposes, comply with the applicable regulations and/or listing requirements at any given time in the markets in which Telefónica's securities are listed and, in particular, with the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.

Possible severance pay

The contracts signed with the Executive Directors are for an indefinite term and include a non-competition clause. This clause implies that, once the relevant contract has been terminated and during the valid term of the clause (two years after the termination of the contract for any reason), the Executive Directors may not indirectly or directly render their services themselves or through others, either on their own behalf or for third parties, to Spanish or foreign companies that engage in the same or similar business activities as Telefónica.

Regarding the conditions related to the termination of the contracts, the Executive Chairman, Mr. José María Álvarez-Pallete López, and the Chief Operating Officer, Mr. Ángel Vilá Boix, have the same terms and conditions as in their previous contracts, which specify agreed severance pay for termination of the relationship, when appropriate, which could amount to a maximum of four (4) annual payments. Each annual payment consists of the last fixed remuneration and the arithmetic mean of the sum of the last two (2) amounts of annual variable remuneration paid pursuant to the contracts.

In addition, the Executive Directors are members of an Executive Pension Plan that covers the contingencies of retirement, early retirement, permanent total or absolute disability or severe disability and death, the annual contribution to which is equivalent to 35% of the Fixed Remuneration, after deducting the contributions made to the Pension Plan for Telefónica employees described in section D above. However, the receipt of the remuneration described in the previous paragraph is incompatible with the awarding of any financial rights related to this Executive Pension Plan. Therefore, if an Executive Director receives the aforementioned financial remuneration, he/she would not be entitled to any financial rights under this Plan.

The implementation vehicle of this Plan approved in 2006 is a unit-linked group life insurance policy taken out with an insurance company, and the amount of the benefit under this guarantee will be equivalent to the mathematical provision applicable to the insured on the date on which the policyholder notifies and proves to the insurance company that he/she is in one of the situations covered by the Plan.

There is currently no vesting of economic rights in favor of the Executive Directors. In the case of legislative amendments on this matter, according to a proposal made by the NCCGC, the Board of Directors could make the appropriate adjustments.

Even though there are no changes planned for the functioning of this Plan, any adjustments to be made to the Executive Pension Plan must be approved by the Board of Directors. These adjustments must be justified and proposed by the NCCGC. The reasons for the adjustments must be duly explained in the annual report on the directors' remuneration.

Contractual terms and conditions for the Executive Directors

The contracts that currently regulate the Executive Directors performing their duties and responsibilities are of a commercial nature and include clauses that are normally used for these kinds of contracts. These contracts have been proposed by the NCCGC, approved by the Board of Directors and have not suffered any significant modifications in 2022.

In addition to the severance pay terms and conditions explained in the previous point, a summary is provided below of the main terms and conditions of the Executive Directors' contracts:

- Term: Indefinite
- Prior notice: There is an obligation to provide prior notice in the event of the contract being terminated due to a unilateral decision adopted by the Chief Operating Officer, being stipulated that he must notify such unilateral decision in writing with at least three months' prior notice, except in cases of force majeure. If this obligation is not fulfilled, he must pay the Company an amount equivalent to the Fixed Remuneration for the period of prior notice he had failed to observe.
- Exclusivity: During the term of the contracts, it is prohibited to sign (either directly or through intermediaries) any employment, commercial or civil contracts with other companies or institutions that engage in activities similar in nature to those of Telefónica.
- Non-competition clause: The contract states the relationship is compatible with holding representative, administrative and management posts and other professional positions in other companies in the Telefónica Group or in any other undertakings unrelated to the Company when expressly notified to the Nominating, Compensation and Corporate Governance Committee and the Board of Directors.

On the other hand, it states that the relationship is incompatible, during the term of the clause (two (2) years after the termination of the contract for any reason) with directly or indirectly rendering services, as an employee or self-employed, by themselves or through third parties, to any Spanish or foreign companies that engage in activities identical or similar to those of Telefónica.
- Non-disclosure: While the relationship remains in force and also after the termination thereof, there is a non-disclosure duty regarding any information, data and any kinds of reserved and confidential documents that they have knowledge of or to which they have had access as a result of performing their duties.
- Compliance with the regulatory system: The contracts include the obligation to abide by the rules and obligations set out within Telefónica's regulatory system, which are contained, among other regulations, in the

Board of Directors' Regulations and Telefónica's Internal Stock Market Conduct Regulations.

Shareholding commitment

Executive Directors more than meet the shareholding commitment of two years' gross fixed remuneration.

As stipulated in the Remuneration Policy, the Executive Directors must hold (directly or indirectly) a number of shares (including those provided as remuneration) equivalent to two (2) years' gross fixed remuneration as long as they are members on the Board of Directors and perform executive duties.

The term set for achieving this objective is five years, counted from 1 January 2019 or, in the case of Executive Directors appointed at a later time, counted from the date of their appointment, unless the Board of Directors/ NCCGC approve a longer term when exceptional situations arise.

	Shareholding Requirement
Executive Chairman	200% Gross Fixed Remuneration
Chief Operating Officer	200% Gross Fixed Remuneration

As long as the number of shares subject to this commitment has not been reached, the shares that the Executive Director receives within the scope of any variable remuneration component will be subject to a minimum retention period of 3 years; therefore raising the Executive Director's level of commitment.

The foregoing is not applicable to the shares that the Executive Directors need to sell to pay the costs related to their acquisition or, with prior consideration of the NCCGC, to cover extraordinary situations where this is required.

This commitment will be verified by the NCCGC, which, among other issues, will consider aspects such as the share price to be taken into account or the regularity with which the holding commitment will be reviewed.

Although this requirement came into force on January 1, 2019, the Executive Directors are allowed until December 31, 2023 to comply with it

As of December 31, 2022, the Executive Chairman of the Company, Mr José María Álvarez-Pallete López, held 2.168.574 shares in Telefónica, S.A.

The Chief Operating Officer (COO), Mr. Ángel Vilá Boix, held 624.248 Telefónica shares.

The price at which the Executive Directors acquired their shares represents an amount that was well over twice their Fixed Remuneration.

5.1.5. The Directors' remuneration in their positions as such in 2023

• The remuneration payable to the Directors in their positions as such remains unchanged since 2012.

The remuneration payable to the Directors in their positions as such is structured, within the legal and statutory framework, pursuant to the remunerative criteria and items specified below, up to the maximum limit determined for such purpose by the General Shareholders' Meeting, pursuant to the provisions in Article 35 of the Articles of Association.

According to the foregoing, the Ordinary General Shareholders' Meeting held on April 11, 2003 set the annual gross maximum amount for the remuneration at €6,000,000 payable to the Directors in their positions as members of the Board of Directors.

The aforementioned remuneration is, in all cases, the maximum amount payable and the Board of Directors is responsible for proposing the allotment of the amount among the various items and among the different Directors, taking into account the duties and responsibilities assigned to each Director, membership on Committees within the Board of Directors and other objective circumstances that would be considered relevant.

Regarding the fiscal year 2023, according to the market information available, the Committee has proposed to the Board not to increase the Directors' fixed remuneration, both in their positions as such and for performing their executive duties. This remuneration has remained the same since 2012.

	Board of Directors	Executive Committee	Advisory or Supervisory Committee (*)
Chairman (**)	€240,000	€80,000	€22,400
Vicepresident	€200,000	€80,000	-
Proprietary Member	€120,000	€80,000	€11,200
Independent Member	€120,000	€80,000	€11,200
Other External Member	€120,000	€80,000	€11,200

(*) In addition, the amount of the attendance fee for each of the meetings of the Advisory or Supervisory Committees is €1,000.

(**) In this regard, the Executive Chairman has waived payment of the aforementioned amounts (i.e. €240,000 as Chairman of the Board of Directors and €80,000 as Chairman of the Executive Committee), as he has done in previous years.

The Executive Directors can waive payment of the aforementioned amounts.

Moreover, the Non-Executive Directors receive the remuneration payable to them due to being members of certain management bodies of Telefónica's subsidiaries and investee companies.

5.1.6. Application of the Remuneration Policy in 2022

GRI 2-19

Summary of the Remuneration Policy applied in 2022 and the results of the ballot on the Annual Report on Remuneration of the Directors for 2021

The remuneration payable in the financial year 2022 was in line with the terms of the Remuneration Policy approved on a binding basis at the General Shareholders' Meeting held on April 23, 2021, pursuant to the provisions in the Transitional Provision of Article 529 Novodecies of the Spanish Corporate Enterprises Act.

More details on the current Remuneration Policy can be found at the following link: <https://www.telefonica.com/es/wp-content/uploads/sites/4/2021/10/politica-remuneraciones-consejeros-telefonica.pdf>

There have been no deviations from the procedure for the application of the remuneration policy, nor have any temporary exceptions been applied.

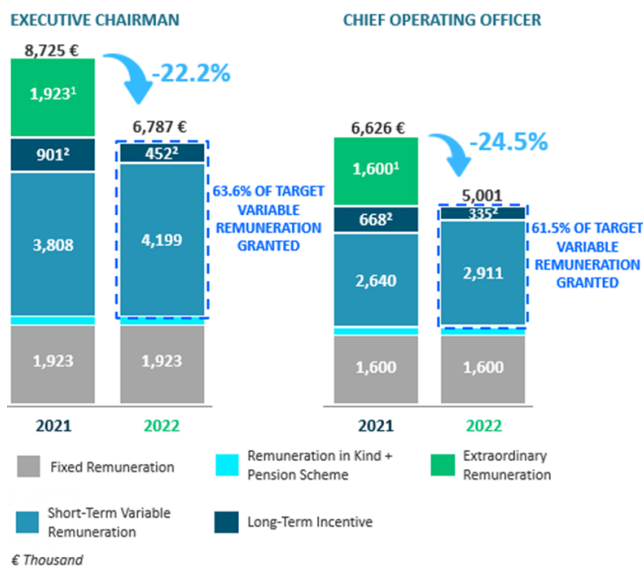
In this respect, the remuneration payable in 2022 to the Executive Directors and the Directors in their positions as such consists of the same components as those described for the current Remuneration Policy in force in 2023.

The detailed description of the Directors' remunerative system for 2022 was included in section 5.1.4 of the Annual Report on the Directors' Remuneration for 2021. This report was approved by 53.28% of the votes cast, with a 42.89% of votes against and 3.83% abstentions.

The Executive Directors' remuneration structure

- The remuneration accrued in 2022 has decreased significantly compared to the remuneration in 2021:
 - Executive Chairman: -22.2%.
 - Chief Operating Officer: -24.5%.
- In this respect, the Executive Chairman and the Chief Operating Officer in 2022 have accrued 63.6% and 61.5%, respectively, of the target variable remuneration initially granted.
- In particular for the third cycle (2020-2023) of the 2018-2023 Long-Term Incentive Plan, taking into account the Telefónica's share price as at December 31, 2022, the economic value of the incentive to be received in shares by the Executive Directors is 25.35% of the incentive originally granted.

The pay mix for Telefónica's Executive Directors in the last two years is shown below:



¹Extraordinary remuneration as a consequence of extraordinary efforts made by executive directors in corporate transactions of special relevance. The remuneration policy to be submitted to the 2023 Annual General Meeting eliminates the possibility of receiving

²In order to determine the incentive value of the second and third cycle of the 2018-2023 Long-Term Incentive Plan, the number of accrued shares by each Executive Director has been multiplied by the Telefónica's share price as at December 31, 2021, and December 31, 2022, respectively.

The following table compares the accrued amount of long-term variable remuneration for the period 2021-2022, in relation to the amounts granted for a target scenario of achievement objectives (that is, 100% achievement)

% (accrued amount / target amount granted)

	2021	2022
Executive Chairman	64.4%	63.6%
Chief Operating Officer	62.7%	61.5%

The Executive Directors' remuneration in 2022

A. FIXED REMUNERATION

The Executive Chairman: €1,923,100.

In case of the Executive Chairman, the amount of his Fixed Remuneration in 2022 was the same as that paid since 2013, which was determined in his position as Chief Operating Officer, which remained the same after his appointment as Chairman in 2016.

The Chief Operating Officer: €1,600,000.

This remuneration is the same as the amount paid when Mr. Vilá was appointed as the company's Chief Operating Officer on 26 July 2017.

B. SHORT-TERM VARIABLE REMUNERATION

The Executive Chairman: €4,198,897

Calculated as the fixed remuneration (€1,923,100) multiplied by the Target Amount (180%) multiplied by the weighted pay coefficient (121.3%).

The Chief Operating Officer: €2,911,200

Calculated as the fixed remuneration (€1,600,000) multiplied by the Target Amount (150%) multiplied by the weighted pay coefficient (121.3%).

For fiscal year 2022, the Board of Directors approved, according to a proposal made by the NCCGC, the quantifiable and measurable metrics that best reflected the levers for creating value for the Telefónica Group with the aim of guaranteeing fulfillment of its corporate plan. These metrics and their relative weightings are the following:

METRIC	DEFINITION AND MEASURING METHOD	WEIGHTING
FINANCIAL OBJECTIVES		80%
OPERATING REVENUE	This corresponds to service revenues, revenues generated from the company's core business, revenues for terminal sales and other Operating Revenue.	30%
OIBDA	This is the Operating Revenue Before Depreciations and Amortizations. The Operating Result includes the Operating Revenue minus all costs (direct, commercial, customer management, network, systems, support and employees, among others)	30%
FREE CASH FLOW	This means the amount of funds generated from transactions throughout the year and it is calculated as funds collected from customers minus the payments required to carry out transactions and investment in assets, therefore including payments to suppliers, employees, as well as spectrum, fees, taxes and interest on debt.	20%
NON-FINANCIAL OBJECTIVES - ESG		20%
CUSTOMER TRUST (NPS/NPS GAP)	NPS and NPS GAP are the metrics used to measure our customers' experience. It calculates their willingness to recommend our products and services; as well as the difference in the value obtained compared with our main competitor in the same survey. It is built through the answer to the following question: How likely are you to recommend the services of Movistar/O2/Vivo to a family member, friend or colleague? (On a scale of 1 to 10, 1 means, I would not recommend it; and 10 means I would recommend it). Ratings between 9 and 10 are considered promoters and between 1 and 6 are considered detractors. NPS = % Promoters – % Detractors	9%
SOCIETY TRUST (REP Trak ®)	RepTrak® Pulse is the metric used to measure the reputation (society's perception of Telefónica). It measures the emotional appeal of our brands according to 4 fundamental elements: admiration and respect, esteem, confidence and good impression.	3%
CLIMATE CHANGE (Greenhouse gas emissions)	Greenhouse gas (GHG) emissions are the metric used to measure our environmental impact. This is measured through direct and indirect CO ₂ emissions from our daily activity due to fuel consumption, refrigerant gas leaks and electricity use. CO ₂ emission = Activity Data x Emission Factor - Activity data: The amount of energy, fuel, gas, etc. consumed by the Company - Emission Factor: The amount of CO ₂ emitted into the atmosphere by the consumption of each activity unit. For electricity, the emission factor provided by official sources (European Union, Ministries, CNMC, etc.) is used and for fuels the GHG Protocol emission factors are used. Constant emission factors are used for the annual remuneration in order to avoid variations due to causes beyond the Company's control.	5%
GENDER EQUALITY (% of Women in executive positions)	The percentage of women among the managers in the Telefónica Group is the metric used to measure the objective related to Gender Equality. It is measured on the total of the Telefónica Group Managers in the workforce at the end of December. The managers group is defined according to the criteria and processes determined by the People area at a corporate level. Prior to validation by the NCCGC, there is a Transparency and Diversity Committee, made up of the Chairman and four members of the Executive Committee, which validates, on a monthly basis, the proposals for appointments from this group to ensure compliance with the measures and policies established in the area of transparency and gender equality.	3%

Throughout the year, the NCCGC monitored such objectives set for the Short-Term Variable Remuneration in 2022, payable in 2023.

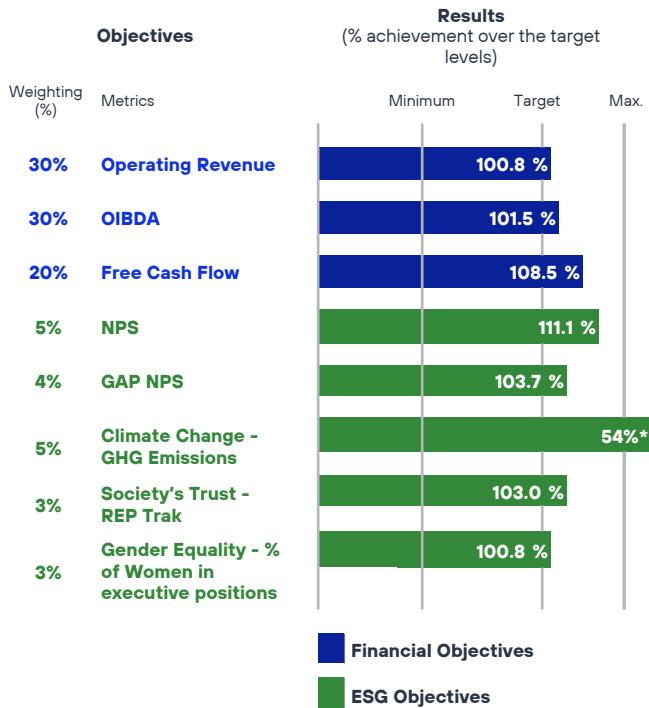
The aforementioned objectives were finally assessed based on the audited accounts for the fiscal year 2022, according to the following process:

1. The results for the fiscal year 2022 and the level of achievement of the objectives were firstly examined by the Audit and Supervisory Committee, based on the results audited by PRICEWATERHOUSECOOPERS AUDITORES, S.L.

After this examination, the NCCGC determined a proposal for the Short-Term Variable Remuneration that was submitted to the Board of Directors. The Committee also considered the quality of the long-term results and any associated risk in the proposal for variable remuneration.

2. Lastly, the Board of Directors approved the proposal for the Short-term Variable Remuneration submitted by the NCCGC. As a result of the foregoing, and according to that stipulated in recommendation 59 of the Good Governance Code, the Board agreed to pay the Executive Directors during the first quarter of 2023 the

amounts set out below, based on the following levels of achievement:



*The GHG Emissions climate change KPI has an inverse payout curve, so that achievements below 100% (emissions level below the target) are positive, and result in payouts above 100%.

The level of achievement of all objectives has been between the target level and the maximum level, with the exception of the GHG emission reduction objective, where the maximum level has been exceeded. After applying the performance scales for each of the objectives, a weighted payment coefficient of 121.3% has been determined. This payment coefficient corresponds to €4,198,897 for the Executive Chairman (121.3% of the target amount) and €2,911,200 for the Chief Operating Officer (121.3% of the target amount). The Short-Term Variable Remuneration target was 180% of the Annual Fixed Remuneration for the Executive Chairman and 150% of the Annual Fixed Remuneration for the Chief Operating Officer.

C. LONG-TERM VARIABLE REMUNERATION

Long-Term Incentive Plan 2018-2023. Third cycle 2020-2023 accrual

The General Shareholders' Meeting held in 2018 approved a Long-Term Incentive Plan consisting of providing Telefónica, S.A.'s shares, aimed at Executives of Telefónica that, meeting the requirements stipulated for such purpose from time to time, were invited to participate therein, including the Executive Directors de Telefónica, S.A.

The measurement period for the objectives of the third cycle of the 2018-2023 Plan ended on December 31, 2022. The theoretical number of granted shares, corresponding

to the Executive Directors, if 100% of the TSR and Free Cash Flow objectives are achieved, was as follows:

- The Executive Chairman: 267,000 shares.
- The Chief Operating Officer: 198,000 shares.

In order to determine the correct number of shares to be granted at the end of the aforementioned cycle, the NCCGC analyzed the level of achievement of each of the two objectives.

Metrics	Weighting (%)	Company Results	Incentive Accrued
Relative TSR*	50%	75th percentile or above	100%
		Median	30%
		Below median	0%
Free Cash Flow	50%	100% of achievement	100%
		90% performance	50%
		Lower than 90% performance	0%

* Peer group: America Movil, BT Group, Deutsche Telekom, Orange, Telecom Italia, Vodafone Group, Proximus, Koninklijke KPN, Millicom, Swisscom, Telenor, TeliaSonera and Tim Brasil.

Regarding the Relative TSR, the weighting of which is 50%, Kepler provided the NCCGC with the calculation of Telefónica's Relative TSR since the beginning of the cycle (2020) until its end (2022), related to the TSR obtained by certain companies belonging to the telecommunications sector, weighted according to their relevance for Telefónica which are included in the comparison group are the following: America Movil, BT Group, Deutsche Telekom, Orange, Telecom Italia, Vodafone Group, Proximus, Koninklijke KPN, Millicom, Swisscom, Telenor, TeliaSonera and Tim Brasil

Telefónica's TSR ended up being below the median according to the achievement scale used. Therefore, no right whatsoever was generated to receive shares linked to achieving the Relative TSR objective.

Regarding the Free Cash Flow, the weighting of which is the remaining 50%, the Planning and Supervision Department drew up a report related to the Free Cash Flow generated by the Telefónica Group in each year in the objective measurement period (2020, 2021 and 2022), based on the results audited by the company's internal and external auditors, comparing it with the value set in the budgets approved by the Board of Directors for each fiscal year.

The final performance was considered as the average of the partial annual results obtained and approved by the NCCGC.

The NCCGC has been conducting annual monitoring of the Free Cash Flow and the level of performance is determined once the report issued by the Planning and Supervision Department has been analyzed. When conducting this assessment, the NCCGC was supported by the Audit and Supervisory Committee, which provides information about the results audited by the Company's external auditor.

In this respect, the annual achievement level of Free Cash Flow was 113% (year 2020), 135% (year 2021) and 108.5% (year 2022). Therefore, the payment coefficient linked to Free Cash Flow was 100%.

Bearing in mind the results of the Relative TSR and the Free Cash Flow, the weighted payment coefficient amounted to 50% (133,500 shares for the Executive Chairman and 99,000 shares for the Chief Operating Officer). The **value of these shares** at December 31, 2022 **was 25.3% of the value of the maximum incentive** initially granted in 2020. This incentive will be paid during March 2023.

D. PENSION PLAN FOR TELEFÓNICA'S EMPLOYEES

The contributions made in 2022 to the "Fonditel B, Fondo de Pensiones" Pension Plan:

- The Executive Chairman: € 7,574
- The Chief Operating Officer: € 6,721

The contributions made in 2022 to the unit link insurance policy, related to the Pension Plan, taken out with Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros were as follows:

- The Executive Chairman: €124,543.
- The Chief Operating Officer: €64,439.

The Pension Plan for the Executive Directors follows the same scheme and is aligned with the Pension Plan for Telefónica's employees regarding its terms and conditions and the contribution percentages.

	Contribution (% regulatory salary)	Fonditel Pension Plan	+	Unit-Link insurance policy	Total
Executive Chairman	6.87%	€7,574	+	€124,543	€132,117
Chief Operating Officer	4.51%	€6,721	+	€65,439	€72,160

The contribution percentages are aligned with Telefónica's employee pension plan.

The amount of the vested rights on December 31, 2022 was as follows:

- Mr. José María Álvarez-Pallete López: €321,744 (of which the amount of €160,852 corresponds to the rights generated by the Pension Plan of Telefónica Internacional and the rest Telefónica's Pension Plan).
- Mr. Ángel Vilá Boix: €343,300 (of which the amount of €22,022 corresponds to the rights generated by the Pension Plan of Telefónica España and the rest Telefónica's Pension Plan).

The mathematical provision of the unit-link insurance policy on December 31, 2022, was as follows:

- Mr. José María Álvarez- Pallete López: €982,846.
- Mr. Ángel Vilá Boix: €471,805.

It should be noted that the development of accumulated funds reflects both the contributions made and the revaluation of these funds.

Additional information about the features of the Pension Plan for employees can be found in section 5.1.4.D) of this report.

E. REMUNERATION IN KIND

In this respect, the Executive Directors receive the following benefits:

- An insurance policy for general health and dental coverage.
- A life insurance policy with coverage for death and disability.

The cost of this remuneration in kind in 2022 amounted to €80,784 for the Executive Chairman and €64,905 for the Chief Operating Officer. Additionally, in the statistic annex shows the remuneration in kind corresponding to the vehicle in use (€18,429).

Telefónica has also taken out a third-party liability policy (D&O) for directors, executives and other staff with similar duties in the Telefónica Group, with the customary terms and conditions for this type of insurance.

F. EXECUTIVE PENSION PLAN

As explained in section 5.1.4 above, there is currently no vesting of economic rights in favor of the Executive Directors. In the case of legislative amendments on this matter, according to a proposal made by the NCCGC, the Board of Directors could make the appropriate adjustments.

In addition, if any severance pay is received due to the termination of the employment relationship, this will be incompatible with the being granted any economic right whatsoever linked to this Plan.

The contributions in 2022 to the benefits plan were as follows:

- The Executive Chairman: €540,968.

- The Chief Operating Officer: €487,840.

The expected rights on December 31, 2022 were as follows:

- Mr. José María Álvarez-Pallete López: €9,981,981.
- Mr. Ángel Vilá Boix: €7,762,083

Further information:

- Malus and clawback clauses: These clauses were not applicable in the fiscal year 2022.
- During the fiscal year 2022, the Executive Directors did not receive nor accrue any payment for early termination or termination of their contracts, or advances, loans or guarantees, or payments made by Telefónica to a third party to which the director provides services, or any other remunerative item apart from the ones already mentioned.
- The terms and conditions of the Executive Directors' contracts in 2022 were the same as those described in section 5.1.4 of this report.

Remuneration of the directors in their positions as such

The remuneration payable to the Directors in their positions as such is according to the same scheme as the one described in section 5.1.5 of this report and the one applied in previous fiscal years.

In this respect, as explained in section 5.1.5 of the Annual Directors' Remuneration Report for 2021, in the year 2022 the Executive Chairman waived payment of €240,000 as Chairman of the Board of Directors, and €80,000 as Chairman of the Executive Committee.

External Directors also receive the remuneration to which they are entitled for belonging to certain Management Decision-Making Bodies of some Subsidiaries and affiliates of Telefónica.

According to the foregoing, the aggregate remuneration for the items in 2022 was as follows:

	2022	2021
Fixed amount due to being a member on the Board, Executive Commission and Advisory or Supervisory Committees	€2,604,801	€2,841,100
Fees for attending the meetings of the Advisory or Supervisory Committees	€247,000	€260,000
Remuneration for being a member on certain Management Decision-Making Bodies of some subsidiaries of Telefónica	€1,068,598	€704,912

During the fiscal year 2022, the Directors in their positions as such did not accrue payments for early termination or termination of their contracts, or advances, loans or guarantees, or payments made by Telefónica to a third party to which the director provides services, or any other remuneration item apart from the ones already mentioned.

The individual amounts per director are provided in the statistical annex attached to this Report.

5.1.7. The process for determining the Remuneration Policy and the Company's bodies involved

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The NCCGC, the responsibilities and duties of which are stipulated in Article 40 of the Articles of Association, Article 23 of NCCGC's Regulations, plays a crucial role in defining the Telefónica Group's Remuneration Policy and in developing and deciding on its components; however the most important decisions must be approved by the Board of Directors.

The Committee's mandate, within the scope of remuneration, consists of continuously reviewing and updating the remuneration system applicable to the Directors and Senior Executive Directors and designing new remuneration plans that enable the Company to attract, retain and motivate the most outstanding professionals, aligning their interests with the Company's strategic objectives.

In addition, other bodies and external advisors take part in the process of determining the Remuneration Policy.

The functions performed by the various company bodies involved in determining and approving the Remuneration Policy and its conditions are explained below, along with a reference to the involvement of external advisors in this matter:

	Determining and designing the remuneration elements	Applying the variable remuneration	Analysis of the external competitiveness of the remuneration
General Shareholders' Meeting	<p>It approves the Remuneration Policy at least every three years as a separate item on the agenda.</p> <p>It approves the maximum amount of the annual remuneration for all the Directors in their positions as such.</p> <p>It approves the variable remuneration systems for the Directors that include payment in shares or stock options or share-linked instruments.</p> <p>It has an advisory vote on the Annual Report about the Directors' Remuneration, detailing the remuneration accrued during the last financial year.</p>	<p>Advisory vote on the Annual Report on Remuneration of the Directors, in which the remuneration accrued during the financial year is disclosed.</p>	
Board of Directors	<p>Directors in their positions as such: It approves the allocation of the maximum amount approved by the General Shareholders' Meeting among the various components.</p> <p>Executive Directors: It approves the fixed remuneration and the main terms and conditions of the short- and long-term variable remuneration system.</p> <p>The Board approves adaptations or updates to the Remuneration Policy.</p> <p>It approves the contracts that regulate the duties and responsibilities of the Executive Directors.</p> <p>It approves the Annual Report on Remuneration of the Directors to be submitted to the advisory vote at the General Shareholders' Meeting</p>	<p>It approves the design, target amounts, the level the targets are achieved and the amounts of the incentive payable, if any, both for the short-term and long-term variable remuneration of the Executive Directors, based on a proposal made by the NCCGC.</p> <p>It approves the Annual Report on Remuneration of the Directors to be submitted to the advisory vote of the General Shareholders' Meeting.</p> <p>It evaluates, if necessary, application of the malus and/or clawback clauses.</p>	<p>It is reported based on analysis and remuneration studies of the Directors' remuneration conducted by the NCCGC.</p>
Nominating, Compensation and Corporate Governance Committee	<p>Directors in their positions as such: It proposes the allotment of the maximum amount to the Board of Directors approved by the General Shareholders' Meeting, among the various items.</p> <p>The Committee reviews the Directors' remuneration on a regular basis to ensure that it is appropriate for the duties they perform.</p> <p>Executive Directors:</p> <ul style="list-style-type: none"> • It proposes the fixed remuneration for the Executive Directors to the Board of Directors considering, among other factors, their level of responsibility and leadership within the organisation, promoting the retention of key staff, attracting top talent and creating sufficient economic independence to ensure a balance with the significance of other items included in the remuneration. • It reviews, on an annual basis, the terms and conditions for the variable remuneration, including the structure and maximum levels of remuneration, the targets set and the weighting of each of them, taking into account the company's strategy, needs and business situation. These conditions are subject to the approval of the Board of Directors. • It proposes the contracts to the Board of Directors that regulate the duties and responsibilities of the Executive Directors. • It proposes the Annual Report on Remuneration of the Directors and the Remuneration Policy, when appropriate, to the Board of Directors. <p>When carrying out these actions, the Nominating, Compensation and Corporate Governance Committee takes into account the votes of the shareholders at the General Shareholders' Meeting to which the Annual Report on Remuneration of the Directors for the previous year was submitted, in an advisory manner.</p>	<p>It proposes the targets at the beginning of each measurement period to the Board of Directors.</p> <p>It assesses achievement of the targets at the end of the measurement period. Since payment of the variable remuneration is subject to sufficient verification that the stipulated targets have effectively been achieved, as determined in recommendation 59 of the Good Governance Code, this assessment is carried out on the basis of the results audited by the Company's external and internal auditors, which are first analysed by the Audit and Supervisory Committee, as well as the level of achievement of the targets. In this respect, for the purpose of ensuring that there is an effective relation between the variable remuneration and the professional performance of the recipients thereof, any positive or negative economic impact caused by extraordinary events that could distort the findings of the assessments are disregarded.</p> <p>Submits a report to the Board, when appropriate, on whether or not application of the malus and/or clawback clauses is necessary.</p> <p>It proposes to the Board of Directors the variable remuneration payable to the Executive Directors. Such proposal also considers the long-term results and any associated risk in the proposed variable remuneration.</p> <p>It proposes Annual Report on Remuneration of the Directors and, when appropriate, the Remuneration Policy to the Board of Directors.</p>	<p>It regularly reviews the Directors' remuneration. This process includes an external competitive remuneration analysis and also takes into account the Remuneration Policy for the executives and other employees in the organisation.</p> <p>A reference market, selected based on a series of objective standards, is considered when conducting the external competitiveness analysis, according to the terms set out below:</p> <ol style="list-style-type: none"> 1. A sufficient number of companies are selected to obtain results that are representative and statistically reliable and sound. 2. Data on size (revenues, assets, market capitalisation and number of employees) are considered so that Telefónica is positioned at the median of the comparison group. 3. Geographic distribution: Mainly companies with their parent company located in Continental Europe and in the United Kingdom are included, as well as representative North American enterprises in the technology, media and entertainment sector or related to such sector that are benchmarks for the company. 4. Geographic scope: Companies are included that operate at an international level. <p>Distribution by sector: It is a multi-sector sample, with homogeneous distribution among the business sectors.</p>
Audit and Supervisory Committee		<p>It analyzes the results audited by the external and internal auditor to evaluate achievement of the objectives for the variable remuneration.</p>	

	Determining and designing the remuneration elements	Applying the variable remuneration	Analysis of the external competitiveness of the remuneration
Planning and Control, Corporate Ethics and Sustainability Human Resources		They prepare reports related to the achievement level of the operative, financial and non-financial targets based on the results audited by the Company's external and internal auditor.	
Secretary General	<p>This person prepares the formal documents related to the Remuneration Policy to be submitted to the General Shareholders' Meeting, the Board of Directors, the Executive Committee and/or the Advisory or Supervisory Committees.</p> <p>Together with HR Management, he/she prepares the Annual Report on the Directors' Remuneration.</p>	Together with HR Management, it prepares the Annual Report on Directors' Remuneration.	
Human Resources	<p>It prepares the proposals related to the design of the Remuneration Policy applicable to the Executive Directors.</p> <p>Together with the General Secretary, it prepares the Annual Report on Remuneration of the Directors.</p>	Together with General Secretary, it prepares the Annual Report on Remuneration of the Directors..	It regularly reviews the Directors' remuneration
External Advisors in 2022	<p>WTW provided advice on preparing the Annual Report on Remuneration of the Directors for 2022.</p> <p>The law firm Garrigues also took part in the review of the aforementioned report.</p>	Mercer-Kepler analyses the level of achievement of the Total Shareholder Return (TSR) of Telefónica for each of lifecycles of the share plan on a quarterly basis.	WTW provides advice on the comparative analysis of the Directors' and the Senior Executives' remuneration package against the market.

5.1.8. The work performed by the Nominating, Compensation and Corporate Governance Committee

Pursuant to Article 40 of the Articles of Association, Article 23 of the Board of Directors' Regulations and Article 1 of the NCCGC's Regulations, the Committee must be composed of no fewer than three Directors appointed by the Board of Directors; they must be external or Non-Executive Directors and the majority of them must be independent Directors. The Independent Coordinating Director must be a member on the Committee. Lastly, it is also stated that the Chairperson of this Committee must be an independent Director in all cases.

In this respect, the Committee is composed of the following Directors:

Name	Position	Type	Date of Appointment
Mr. José Javier Echenique Landiribar	Chairman	Independent	May 4, 2017 (as a Member) December 18, 2019 (the date he was appointed as Chairman)
Mr. Peter Erskine	Member	Other External Director	February 27, 2008
Mr. Peter Löscher	Member	Independent	April 17, 2020
Ms. María Luisa García Blanco	Member	Independent	December 18, 2019
Mr. Francisco Javier de Paz Mancho	Member	Other External Director	April 8, 2016

The NCCGC applies the Technical Guide 1/2019 on Appointment and Remuneration Committees, approved by the National Securities Market Commission on February 20, 2019, as well as the revised CNMV's Good Governance Code for Listed Companies published on June 20, 2020.

During fiscal year 2022 and up to the date this report was approved, the most significant activities carried out by the NCCGC have been the following:

Year 2022:

- Drawing up an Annual Work Plan for 2022, in order to ensure suitable planning to guarantee the objectives sought are effectively achieved by the Committee.
- Proposals for appointments related to the Board of Directors and its Committees, and to the Boards of Subsidiary Companies.
- Analysis of the organizational structure of the Telefónica Group and other issues related to the staff.
- Evaluation of objective performance linked to the short-term variable remuneration of Executive Directors for the fiscal year 2021 (payable in 2022).
- Assessment of fulfillment of the objectives linked to the second cycle 2019-2022 of the 2018-2023 Long-Term Incentive Plan for the Executive Directors.
- Analysis of the Executive Directors' total remuneration for 2022.
- Analysis of the total remuneration for the members of the Executive Committee in 2022.
- Proposal for determining and monitoring the objectives linked to the short-term variable remuneration of Executive Directors for the fiscal year 2022.
- Proposal regarding the 2021 Annual Report on the Directors' Remuneration to be submitted to the Board of Directors and subsequently submitted to the Ordinary General Shareholders' Meeting held in 2022.

Year 2023:

- Analysis of the Executive Directors' total remuneration for 2023.
- Evaluation of objective performance linked to the Short-Term Variable Remuneration of Executive Directors for fiscal year 2022 (payable in 2023).
- Assessment of the achievement of the objectives linked to the third cycle 2020-2023 of the Long-Term Incentive Plan 2018-2023 (to be paid out in 2023).
- Proposal for determining the objectives linked to the Short-Term Variable Remuneration of the Executive Directors for fiscal year 2023.
- Proposal for determining the objectives linked to the third cycle 2023-2026 of the Long-Term Incentive Plan 2021- 2026.
- Proposal for the Directors' Remuneration Policy to be submitted to the Board of Directors and subsequently to the Ordinary General Shareholders' Meeting to be held in 2023.
- Proposal for the 2022 Annual Report on the Directors' Remuneration to be submitted to the Board of Directors and subsequently to the Ordinary General Shareholders' Meeting to be held in 2023.

Moreover, it should be pointed out that the NCCGC can request the Board of Directors to hire legal, accounting and financial advisors and other experts at the company's expense. In this respect, WTW provided advice on drawing up this Annual Report on the Directors' Remuneration. Likewise, the law firm Garrigues took part in the review thereof.

5.1.9. Alignment of the remuneration system with the risk profile and with sustainable and long-term results

Telefónica's Remuneration Policy has the following features that enable its exposure to excessive risks to be reduced and adjustment to the Company's long-term targets, values and interests:

Adopting measures related to the staff categories whose professional work has a significant impact on the Company's risk profile

- The NCCGC supervises the examination, analysis and application of the remuneration policy of the professionals whose work could have a significant impact on the Company's risk profile.
- No guaranteed variable remuneration.
- The variable remuneration is only payable after the date the relevant annual accounts have been drawn up, once the achievement level of the operating and financial objectives can be determined.
- The NCCGC considers the quality of the results in the long-term and any associated risk in the evaluation process of variable remuneration.
- The design of the Long-Term Incentive Plans, each one with three-year cycles, implies an interrelation with the results in each year, therefore acting as an alignment catalyst with the company's long-term interests and cautious decision-making.
- The NCCGC is authorized to propose cancellation of payment of the variable remuneration to the Board of Directors under certain circumstances. Detailed information on this point can be found in section 5.1.6 of this report.

The Remuneration Policy contains specific and consistent malus and clawback clauses, to be applied to any variable remuneration component. In this respect, there is a possibility to (i) partially or fully cancel the variable remuneration pending payment (malus) and/or (ii) partially or fully recover any variable remuneration component within thirty-six (36) months after payment thereof (clawback), when certain exceptional situations arise that affect the company's results or are related to the Chief Operating Officer's inappropriate conduct.

- The Company's Audit and Supervisory Committee takes part in the decision-making process related to the Short-Term Variable Remuneration of the Executive Directors by verifying the economic-financial and non-financial

information that may be part of the objectives set for the purpose of such remuneration, as this Committee must first verify the company's results as the basis for calculating the relevant objectives.

- The NCCGC is composed of 5 members, two of whom are also members on the Audit and Supervisory Committee. The fact that some Directors are members of these two Committees ensures that the risks related to remuneration are taken into account in the discussions held by both Committees and in their proposals submitted to the Board, both in the determination and assessment process of the annual and multiannual incentives.
- According to the Remuneration Policy, at the proposal of the NCCGC, the Board of Directors is authorized to agree on the possible revaluation or modification of the remuneration linked to the results if there are significant internal or external changes that mean they need to be reviewed.
- Regarding the measures required to avoid conflicts of interest by the directors, according to the provisions in the Spanish Capital Companies Act, the Regulations of Telefónica's Board of Directors includes a series of obligations related to its duties of loyalty and to avoid situations of conflict of interest. Moreover, the NCCGC's Regulations determine that one of its duties is to ensure that possible conflicts of interest do not harm the independence of the external advice provided to the Committee.

Consistency with the Company's strategy and focus on achieving results in the long-term

- The design of the remuneration policy, consistent with the Company's strategy and aimed at obtaining long-term results, is as follows:
 - a. The total remuneration for the Executive Directors and Senior Executives consists of various remunerative components, mainly composed of the following: (i) Fixed Remuneration, (ii) Short-term Variable Remuneration and (iii) Long-term Variable Remuneration. In the case of the Executive Directors, under normal conditions, at the date of the grant this long-term component accounts for a weight of on the date such General no less than 30% of their total remuneration in a scenario of standard achievement of objectives (fixed + short-term variable + long-term variable). The long-term remuneration accrued in 2022 has had a lower weighting due to the relative TSR objective not being met and due to the decrease in the share value compared to the price at which the shares were granted in 2020.
 - b. The Long-Term Variable Remuneration plans are part of a multi-annual framework in order to ensure that the assessment process is based on long-term profits and that the company's underlying economic cycle is taken into account. This

remuneration is allocated and paid in the form of shares based on the creation of value, so that the Executives' interests are in line with those of the shareholders. In addition, they are overlapping cycles that generally follow one another indefinitely over time, with a permanent focus on the long-term in all decision-making.

- c. Under the Remuneration Policy, 100% of the shares provided within the scope of the Long-Term Incentive Plan 2021-2026 to the Executive Directors and other members determined by the Board of Directors are subject to a retention period of two years. In addition, if an Executive Director does not fulfill the commitment to permanently hold the shares, the retention period of the shares that, if any, they receive due to any variable remuneration component will be increased up to 3 years.
- A suitable balance between the fixed and variable components of the remuneration: Executive Directors have a variable remuneration scheme that is fully flexible, which includes a minimum threshold below which no incentive is payable. The Short- and Long-Term Variable Remuneration percentage can be relevant in the event of maximum objective performance. In any case, such percentage with respect to the total remuneration (considered as the Fixed Remuneration, Short-Term Variable Remuneration and annualized Long-Term Incentive) will not exceed 85%.
 - Receiving 20% of the Short-Term Variable Remuneration is linked to the following ESG metrics: NPS (5%), NPS GAP (4%), Climate Change - GHG Emissions (5%), Society's Trust - REP Trak (3%), Gender Equality - % of women in executive positions (3%). Additionally, payment of 10% of the incentives corresponding to the three cycles of the Long-Term Incentive Plan 2021-2026 are linked to the neutralization of CO2 emissions.

5.1.10. Remuneration of members of Senior Management (non-Directors)

See Annex II (Remuneration to the Board and Senior Management) of the Consolidated Annual Accounts of Telefónica corresponding to fiscal year 2022.

5.2. Annual Report Corporate Governance Report Statistical Annex

Annual Report on Remuneration of Directors of listed companies Statistical Annex (established by Circular 3/2021, of September 28, of the National Securities Market Commission, which modifies Circular 4/2013, of June 12, which establishes the annual remuneration report models of the Directors of listed public limited companies)

Unless otherwise indicated all data as of December 31, 2022.

B. Overall summary of how remuneration policy has been applied during the year ended

B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of abstentions and negative, blank and in favor votes that have been issued:

	Number	% of total
Votes cast	3,234,412,128	55.97 %

	Number	% cast
Votes against	1,387,366,467	42.90 %
Votes in favour	1,723,151,319	53.28 %
Blank ballots	—	— %
Abstentions	123,894,342	3.84 %

C. Itemised individual remuneration accrued by each Director

Name	Type	Period of accrual in 2022
Mr. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	Executive Chairman	From 01/01/2022 to 31/12/2022
Mr. ISIDRO FAINÉ CASAS	Proprietary Vice Chairman	From 01/01/2022 to 31/12/2022
Mr. JOSÉ MARÍA ABRIL PÉREZ	Proprietary Vice Chairman	From 01/01/2022 to 31/12/2022
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	Independent Vice Chairman	From 01/01/2022 to 31/12/2022
Mr. ÁNGEL VILÁ BOIX	Chief Operating Officer	From 01/01/2022 to 31/12/2022
Mr. JUAN IGNACIO CIRAC SASTURAIN	Independent Director	From 01/01/2022 to 31/12/2022
Mr. PETER ERSKINE	Other External Director	From 01/01/2022 to 31/12/2022
Ms. CARMEN GARCÍA DE ANDRÉS	Independent Director	From 01/01/2022 to 31/12/2022
Ms. MARÍA LUISA GARCÍA BLANCO	Independent Director	From 01/01/2022 to 31/12/2022
Mr. PETER LÖSCHER	Independent Director	From 01/01/2022 to 31/12/2022
Ms. VERÓNICA PASCUAL BOÉ	Independent Director	From 01/01/2022 to 31/12/2022
Mr. FRANCISCO JAVIER DE PAZ MANCHO	Other External Director	From 01/01/2022 to 31/12/2022
Mr. FRANCISCO JOSÉ RIBERAS MERA	Independent Director	From 01/01/2022 to 31/12/2022
Ms. MARÍA ROTONDO URCOLA	Independent Director	From 01/01/2022 to 31/12/2022
Ms. CLAUDIA SENDER RAMÍREZ	Independent Director	From 01/01/2022 to 31/12/2022

C.1 Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the financial year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed Remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total in 2022	Total in 2021
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	0	0	0	1,923	4,199	0	0	0	6,122	7,654
MR. ISIDRO FAINÉ CASAS	200	0	80	0	0	0	0	0	280	280
MR. JOSÉ MARÍA ABRIL PÉREZ	200	9	91	0	0	0	0	0	300	302
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	200	24	114	0	0	0	0	0	338	337
MR. ÁNGEL VILÁ BOIX	0	0	0	1,600	2,911	0	0	0	4,511	5,840
MR. JUAN IGNACIO CIRAC SASTURAIN	120	30	34	0	0	0	0	0	184	163
MR. PETER ERSKINE	120	19	114	0	0	0	0	0	253	257
MS. CARMEN GARCÍA DE ANDRÉS	120	32	34	0	0	0	0	0	186	163
MS. MARÍA LUISA GARCÍA BLANCO	120	32	45	0	0	0	0	0	197	165
MR. PETER LÖSCHER	120	23	114	0	0	0	0	0	257	251
MS. VERÓNICA PASCUAL BOÉ	120	7	11	0	0	0	0	0	138	141
MR. FRANCISCO JAVIER DE PAZ MANCHO	120	33	125	0	0	0	0	0	278	277
MR. FRANCISCO JOSÉ RIBERAS MERA	120	0	0	0	0	0	0	0	120	120
MS. MARÍA ROTONDO URCOLA	120	20	22	0	0	0	0	0	162	35
MS. CLAUDIA SENDER RAMÍREZ	120	18	22	0	0	0	0	0	160	160

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of 2022		Financial instruments granted at start of 2022		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2022	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	Performance Share Plan ("PSP") 2020-2023 (Third Cycle)	267,000	267,000	0	0	133,500	133,500	3.3850	452	133,500	0	0
	Performance Share Plan ("PSP") 2021-2024 (First Cycle)	1,094,000	1,094,000	0	0	0	0	0	0	0	1,094,000	1,094,000
	Performance Share Plan (PSP) 2022-2025 (Second Cycle)	0	0	995,000	995,000	0	0	0	0	0	995,000	995,000
	Global Employee Share Plan ("GESP") 2022-2024	0	0	130	130	0	0	0	0	0	130	130
MR. ÁNGEL VILÁ BOIX	Performance Share Plan ("PSP") 2020-2023 (Third Cycle)	198,000	198,000	0	0	99,000	99,000	3.3850	335	99,000	0	0
	Performance Share Plan ("PSP") 2021-2024 (First Cycle)	819,000	819,000	0	0	0	0	0	0	0	819,000	819,000
	Performance Share Plan ("PSP") 2022-2025 (Second Cycle)	0	0	745,000	745,000	0	0	0	0	0	745,000	745,000
	Global Employee Share Plan ("GESP") 2022-2024	0	0	130	130	0	0	0	0	0	130	130

iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system (thousand €)
Mr. José María Álvarez-Pallete López	132
Mr. Ángel Vilá Boix	72

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Systems with consolidated economic rights		Systems with unconsolidated economic rights	
	2022 Year	2021 Year	2022 Year	2021 Year	2022 Year	2021 Year	2022 Year	2021 Year
Mr. José María Álvarez-Pallete López	132	132	541	541	1,144	1,133	9,982	10,636
Mr. Ángel Vilá Boix	72	72	488	488	793	802	7,762	8,198

iv) Details of other items

Name	Item	Remuneration Amount
Mr. José María Álvarez-Pallete López	Health insurance premium	6
Mr. José María Álvarez-Pallete López	Life insurance premium	75
Mr. Ángel Vilá Boix	Health insurance premium	6
Mr. Ángel Vilá Boix	Life insurance premium	59
Mr. Ángel Vilá Boix	Company vehicle	18

b) Remuneration of directors of the listed company for seats on the boards of other subsidiary companies:
i) Remuneration in cash (thousand euros)

Name	Fixed Remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total in 2022	Total in 2021
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	0	0	0	0	0	0	0	0	0	0
MR. ISIDRO FAINÉ CASAS	0	0	0	0	0	0	0	0	0	0
MR. JOSÉ MARÍA ABRIL PÉREZ	0	0	0	0	0	0	0	0	0	0
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	90	0	0	0	0	0	0	88	178	158
MR. ÁNGEL VILÁ BOIX	0	0	0	0	0	0	0	0	0	0
MR. JUAN IGNACIO CIRAC SASTURAIN	0	0	0	0	0	0	0	90	90	0
MR. PETER ERSKINE	80	0	0	0	0	0	0	0	80	63
MS. CARMEN GARCÍA DE ANDRÉS	0	0	0	0	0	0	0	0	0	0
MS. MARÍA LUISA GARCÍA BLANCO	0	0	0	0	0	0	0	88	88	51
MR. PETER LÖSCHER	119	0	0	0	0	0	0	0	119	100
MS. VERÓNICA PASCUAL BOÉ	0	0	0	0	0	0	0	60	60	0
MR. FRANCISCO JAVIER DE PAZ MANCHO	171	0	0	0	0	0	0	155	326	295
MR. FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
MS. MARÍA ROTONDO URCOLA	0	0	0	0	0	0	0	0	0	0
MS. CLAUDIA SENDER RAMÍREZ	0	0	0	0	0	0	0	128	128	38

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of 2022		Financial instruments granted at start of 2022		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2022	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system
No data	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Systems with Consolidated economic rights		Systems with unconsolidated economic rights	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
Mr. José María Álvarez-Pallete López	0	0	0	0	161	178	0	0
Mr. Ángel Vilá Boix	0	0	0	0	22	24	0	0

iv) Details of other items

Name	Item	Remuneration Amount
No data		

c) Summary of remunerations (thousand €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

Name	Remuneration accrued in the company					Remuneration accrued in group companies					Total 2022 company + group
	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other items	Total 2022 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for saving systems	Remuneration for other items	Total 2022 group	
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	6,122	452	132	81	6,787	0	0	0	0	0	6,787
MR. ISIDRO FAINÉ CASAS	280	0	0	0	280	0	0	0	0	0	280
MR. JOSÉ MARÍA ABRIL PÉREZ	300	0	0	0	300	0	0	0	0	0	300
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	338	0	0	0	338	178	0	0	0	178	516
MR. ÁNGEL VILÁ BOIX	4,511	335	72	83	5,001	0	0	0	0	0	5,001
MR. JUAN IGNACIO CIRAC SASTURAIN	184	0	0	0	184	90	0	0	0	90	274
MR. PETER ERSKINE	253	0	0	0	253	80	0	0	0	80	333
MS. CARMEN GARCÍA DE ANDRÉS	186	0	0	0	186	0	0	0	0	0	186
MS. MARÍA LUISA GARCÍA BLANCO	197	0	0	0	197	88	0	0	0	88	285
MR. PETER LÖSCHER	257	0	0	0	257	119	0	0	0	119	376
MS. VERÓNICA PASCUAL BOÉ	138	0	0	0	138	60	0	0	0	60	198
MR. FRANCISCO JAVIER DE PAZ MANCHO	278	0	0	0	278	326	0	0	0	326	604
MR. FRANCISCO JOSÉ RIBERAS MERA	120	0	0	0	120	0	0	0	0	0	120
MS. MARÍA ROTONDO URCOLA	162	0	0	0	162	0	0	0	0	0	162
MS. CLAUDIA SENDER RAMÍREZ	160	0	0	0	160	128	0	0	0	128	288
TOTAL	13,486	787	204	164	14,641	1,069	0	0	0	1,069	15,710

C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and % annual variation								
	Year 2022	% variation 2022/2021	Year 2021	% variation 2021/2020	Year 2020	% variation 2020/2019	Year 2019	% variation 2019/2018	Year 2018
EXECUTIVE DIRECTORS									
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	6,787	-22.21	8,725	68.01	5,193	-6.21	5,537	-0.29	5,553
MR. ÁNGEL VILÁ BOIX	5,001	-24.52	6,626	71.17	3,871	-5.45	4,094	-0.51	4,115
EXTERNAL DIRECTORS									
MR. ISIDRO FAINÉ CASAS	280	0.00	280	0.00	280	0,00	280	0,00	280
MR. JOSÉ MARÍA ABRIL PÉREZ	300	-0.66	302	0.67	300	0,00	300	0,00	300
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	516	4.24	495	-0.60	498	20,00	415	14,64	362
MR. JUAN IGNACIO CIRAC SASTURAIN	274	68.10	163	14.79	142	1,43	140	-0.71	141
MR. PETER ERSKINE	333	4.06	320	13.07	283	4,43	271	1,88	266
MS. CARMEN GARCÍA DE ANDRÉS	186	14.11	163	-1.81	166	3,11	161	1,90	158
MS. MARÍA LUISA GARCÍA BLANCO	285	31.94	216	31.71	164	3,80	158	54,90	102
MR. PETER LÖSCHER	376	7.12	351	33.46	263	56,55	168	7,01	157
MS. VERÓNICA PASCUAL BOÉ	198	40.43	141	0.71	140	0,00	0	0,00	0
MR. FRANCISCO JAVIER DE PAZ MANCHO	604	5.59	572	1.78	562	-3.93	585	8,33	540
MR. FRANCISCO JOSÉ RIBERAS MERA	120	0.00	120	0.00	120	0,00	120	0,00	120
MS. MARÍA ROTONDO URCOLA	162	362.86	35	0.00	0	0,00	0	0,00	0
MS. CLAUDIA SENDER RAMÍREZ	288	45.45	198	40.43	141	0,00	0	0,00	0
CONSOLIDATED RESULTS OF THE COMPANY	2,960	-76	12,095	368.25	2,583	-4.97	2,718	-51.21	5,571
AVERAGE EMPLOYEE REMUNERATION	54	-12.90	62	31.91	47	-30.88	68	33.33	51

OBSERVATIONS:

- Mr. José María Álvarez-Pallete López:

(i) The year-on-year variation in remuneration in 2022 compared to 2021 is due to the extraordinary remuneration paid in 2021. It should be noted that the variable remuneration accrued in 2022 by the Executive Chairman represents 63.6% of the total target variable remuneration initially granted. The fixed remuneration is the same as that received since 2013, which was set in his capacity as CEO, having remained unchanged after his appointment as Chairman in 2016.

(ii) The year-on-year variation in remuneration in 2021 compared to 2020 considering ordinary remuneration, as detailed in point (i) above, is 16%, derived from the YoY performance variation associated with the Director's variable remuneration. The consolidated result of the company increased by 368% in 2021 compared to 2020.

(iii) The 2021/2020 variation reflected in the table is determined by the Executive Chairman's proposed waiver of the first cycle of the 2018-2023 Long-Term Incentive Plan, which the Board of Directors agreed not to pay in 2020 as a gesture of responsibility following the effects of COVID-19, and the extraordinary variable remuneration received by the Executive Chairman in 2021.

- Mr. Ángel Vila Boix:

(i) The year-on-year change in remuneration in 2022 compared to 2021 is due to the extraordinary remuneration received in 2021. It should be noted that the variable remuneration accrued in 2022 by the Chief Operating Officer represents 61.5% of the total target variable remuneration initially granted. Fixed remuneration remains unchanged from 2017.

(ii) The year-on-year change in remuneration in 2021 compared to 2020 considering the ordinary remuneration, as detailed in point (i) above, is 15%, derived from the YoY performance variation associated with the Director's variable remuneration.

(iii) The 2021/2020 variation reflected in the table is determined by the proposed waiver by the Chief Operating Officer of the first cycle of the 2018-2023 Long-Term Incentive Plan, which the Board of Directors agreed not to pay in 2020 as a gesture of responsibility following the effects of COVID-19, and the extraordinary variable remuneration received by the Chief Operating Officer in 2021.

- Mr. Juan Ignacio Cirac Sasturain (% variation 2022/2021): On 15 December 2021 he joined the Regulation and Institutional Affairs Committee as a member, receiving the corresponding remuneration from 2022. The increase in remuneration is also due to the fact that in 2022 he received the corresponding remuneration for his membership of the Advisory Boards of Telefónica Tech and Telefónica de Ingeniería de Seguridad.
- Ms. Carmen García de Andrés (% variation 2022/2021): On 15 December 2021, she joined the Regulation and Institutional Affairs Committee as a member, receiving the corresponding remuneration from 2022.
- Ms. María Luisa García Blanco (% variation 2022/2021): On 15 December 2021, she was appointed Chairwoman of the Sustainability and Quality Committee, receiving the corresponding remuneration as from 2022.
- Ms. Verónica Pascual Boé (% variation 2022/2021): The increase in remuneration is mainly due to the fact that in 2022 she received the corresponding remuneration for her membership of the Telefónica Tech Advisory Board.
- Ms. María Rotondo Urcola (% variation 2022/2021): With regard to the variation between the two financial years, it should be considered that Ms María Rotondo joined the Board of Directors as a member and as a member of the Sustainability and Quality Committee in September 2021 and, therefore, received the corresponding remuneration for these items

from September to December 2021, as opposed to 2022, which was received during the full financial year. Likewise, Ms María Rotondo joined the Audit and Control Committee as a member on 15 December 2021, receiving the corresponding remuneration from 2022 onwards.

- Ms. Claudia Sender Ramírez (% variation 2022/2021): With regard to the variation between the two financial years, it should be considered that Ms Claudia Sender joined the Advisory Board of Telefónica Hispanoamérica in June 2021 and, therefore, only received remuneration for this item from June to December 2021, compared to 2022, which was received during the full financial year. In addition, in 2022, Ms Claudia Sender received the corresponding remuneration for her membership of the Telefónica Tech Advisory Board.
- Average employee remuneration of Telefónica, S.A. and all of its subsidiaries: In financial year 2019, the average employee remuneration has been calculated on the basis of the personnel expenses included in the consolidated annual accounts for that year, where the cost of the Individual Suspension Plan is included. In this regard, on September 27, 2019, Telefónica España signed the 2nd Collective Bargaining Agreement for Related Companies (CEV). The present value of the Plan's payment flows, together with the updating of the estimates of the previous plan and the provision associated with the training plan, resulted in a pre-tax expense of EUR 1,732 million.

In 2021 and 2022, the average remuneration has been calculated on the basis of the personnel expenses included in the consolidated financial statements for that year. In 2021 this includes the cost of the Telefónica España Voluntary Redundancy Plan. The impact of this Plan on personnel expenses amounts to 1,382 million euros before tax.

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D. Other Information of Interest

This annual remuneration report has been approved by the Board of Directors of the company on February 22, 2023.

State whether any director has voted against or abstained from approving this report

No