

# Crime Prevention Policy



## Country-level Policy

Approved by the Telefónica S.A. Board of Directors in their meeting held in November 2020

Telefónica, S.A.

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## 1. BACKGROUND

After the entry into force of the amendments to the Criminal Code implemented by Organic Law 5/2010 of June 22, the Telefónica Group engaged in a process, focused mainly on Spain, of reviewing and updating its control systems to ensure conformance to these new legal requirements, particularly in view of the provisions of Article 31 *bis* of the Criminal Code (CC), taking strict measures of prevention to avoid the commission of criminal acts. Subsequently, successive reforms of the Criminal Code have generated a continuous review process of the control environment. Specifically, the control environment was also revised after the approval of Organic Law 1/2015 of March 30, particularly regarding the new sections 31 *ter* and 31 *quáter*. Afterwards, the “Public Prosecutor’s Office” and the case law have developed some issues related with this matter. Similarly, the control environment has also been reviewed, following the amendments made to the Criminal Code with the approval of Organic Law 1/2019 of 21 February.

Along these lines, driven and supervised by the Audit and Control Committee of the Board of Directors of Telefónica, S.A., a complete and updated crime prevention Programme applying to the companies of the Group in Spain has been formalised and subsequently revised. The Group shall formalise a crime prevention Programme (hereinafter, **Crime Prevention Programme** or **Programme**), with its application, where appropriate of the corresponding compliance management system against crime, a programme in which each of the said companies will take into account their own status and nature (type of activity, products and services offered, and where appropriate, purpose of the business, length or size of its operations, etc.). The other companies of the Group have formalised or will formalise a crime prevention programme in accordance with the applicable legal requirements.

For this purpose, in the case of the companies belonging to the Telefónica Group (hereinafter, each one of them referred to as the Company) the criminal risks faced by the Company according to their activity, as well as any scenarios which may give rise to these risks and the companies of its Group in Spain, as well as the existing controls to mitigate such risks, have been reviewed, recorded and assessed, with the adoption of the measures necessary to update and strengthen these controls in light of the risks identified. These activities include, but are not limited to, those related to negotiating with and contracting third parties, whether they be customers or suppliers; the development, purchase or marketing of products or services, the management of financial resources, the management and treatment of privileged and personal information, relationships with public entities and authorities and the management of human resources.

In short the Telefónica Group follows a policy of zero tolerance towards potentially unlawful acts, as reflected in the Business Principles making up the fundamental values of the Group, promoting an ethical and responsible business culture within each of the companies therein. In accordance with this policy and for purposes of prevention and control, the Board

of Directors approved this Crime Prevention Policy at its meeting of February 2, 2012 afterwards updated in different editions (the second edition of which was approved by the Board of Directors on December 16, 2015, the third edition was approved by the Board of Directors on September 28, 2016 and the fourth edition was approved by the Board of Directors in November 2020).

## 2. PURPOSE

The purpose of this policy is to present a detailed description of the main components of the Crime Prevention Programme of the companies of the Telefónica Group in Spain. This Programme is conceived as a framework made up of the regulations, procedures and other specific controls that make it possible to reasonably ensure that the risks of crimes being committed that affect the Group's companies in Spain are adequately identified, documented, assessed, controlled and mitigated, in an environment involving constant review and updating as well as being continuously improved.

Pursuant to the above-referenced articles *bis* of the Criminal Code, this Crime Prevention Policy has a dual function:

- To avoid the commission of crimes in the name or on behalf or for the benefit of the various companies making up the Telefónica Group in Spain by the legal representatives thereof or by those persons acting individually or as members of a decision-making body of a legal entity who are authorised to make decisions on behalf of the legal entity or who have powers of organisation and control therein; and also the commission of crimes in the exercise of corporate activities and for the direct or indirect benefit of the legal entities making up the Telefónica Group in Spain by those who may engage in such acts, while under the legal or de facto authority of the legal representative and administrators, by causing a serious breach thereby of the duties of supervision, monitoring and control of their activities given the specific circumstances of the case.
- To establish mechanisms so that if the above-mentioned persons were to commit such crimes despite this preventive function, they would be immediately reported to the competent authority, so that the companies of the Telefónica Group would thus comply with the reporting obligation established by applicable law.

The Crime Prevention Programme is conceived of as a framework made up of the regulations, procedures and other specific controls that allow for reasonable assurance that the risk of committing crimes affecting the companies of the Group in Spain are properly identified, documented, assessed, controlled and mitigated, and that all of the foregoing is in a state of permanent review and update.

The Programme is based on the creation and continuous reinforcement of the culture of Compliance which is led by the Principles of Responsible Business which make up the fundamental values of the Group, promoting ethical and responsible conduct within the organisation.

Within the framework of this Crime Prevention Programme, it is important to highlight the need to maintain and continuously improve the Programme and, where appropriate, the associated management system, which ensures that the objectives in the area of crime prevention are defined, including, where appropriate, the specific objectives of the compliance management system against crime, the identification and implementation of the necessary actions to achieve them and the review of the effectiveness of the said actions and objectives on a regular basis, in accordance with the provisions set forth in this policy.

### 3. SCOPE OF APPLICATION

This Policy is applicable to all the companies of the Telefónica Group in Spain in which it holds the majority of the capital, either directly or indirectly; and in all others in which it has less shares but where it has effective control over management.

As the Group's parent company, Telefónica S.A. is responsible for establishing the regulations, instruments and mechanisms required for the proper and efficient coordination between this Company and the other companies that form its Group; all of this without prejudice or detriment in any way to the autonomous decision-making capacity that corresponds to each of these companies, in accordance with the corporate interests of each one of them and the fiduciary duties that the members of its administrative bodies have towards their shareholders.

### 4. CRIME PREVENTION PROGRAMME

The Crime Prevention Programme is made up of:

- The **general control environment** at the companies of the Telefónica Group.
- The **criminal risk registers** setting out the risks of commission of unlawful acts that affect the companies of the Group as well as the existing controls to minimise their exposure to them.
- The set of internal **regulations and provisions** referred to in point 4.3 that are attached as annexes to this Policy based on their significance within this Programme.

- The **processes** implementing and putting into practice the provisions of the regulations, and which include controls to mitigate the risks identified, and which are intended to ensure compliance with the internal regulations and policies.
- The **penalty system** established on a general basis, in the Corporate Policy on the Comprehensive Disciplinary Programme and in the corporate Regulation for the elaboration and organisation of the regulatory framework in order to ensure compliance by all employees with the regulations and procedures established at the companies of the Group.
- The existence of a **Crime Prevention Function** at the corporate level and at each of the affected companies, with responsibility for implementation, development, compliance and review as well as continuous improvement.
- The existence of a **reporting channel**, through which any employee must confidentially report any indication of the commission of a crime.
- **Training and information** regarding the compliance of the internal regulations, for all employees of the companies of the Telefónica Group in Spain (including specific training about crime prevention, as set in this Policy)

#### 4.1 General Control Environment

Beyond specific crime prevention, reference should be made to the control environment of Telefónica, S.A. and the other companies of its Group, and which forms part of its corporate governance structure. This environment is determined to a great extent by the fact that the shares of the parent company, Telefónica, S.A., are publicly listed both in Spain and in the United States, for which reason the Group is subject to strict control requirements established by the law of both countries.

Above all, the responsibilities of the Board of Directors of Telefónica, S.A. are the creation, maintenance and supervision of this general control environment.

The fundamental elements of this control environment are the following, among others:

##### a) Committees of the Board of Directors:

**Some of the Committees of the Board of Directors are in charge of specific competences regarding control: in particular, the following:**

- The Audit and Control Committee, with specific responsibilities in this area, and with direct responsibility, among others, with respect to supervising the effectiveness of the internal controls of the Company, Internal Audit and the risk management systems, including the tax risks.

-The Sustainability and Quality Committee, which is responsible for monitoring and reviewing the strategies and policies arising from the Principles of Responsible Business, and analysing, promoting and monitoring Telefónica Group's objectives, action plans and practices in the field of Sustainability, social responsibility and reputation, which include aspects of ethical behaviour.

**b) Specific organisational units:**

- Independent Compliance Unit, which reports directly to the Board of Directors, through the Audit and Control Committee, responsible of creating and reinforcing a general culture of compliance with the regulations (both public legal system and internal regulations of Telefónica) by all employees of the Group.
- Internal Audit Unit, which reports directly to the Board of Directors, through the Audit and Control Committee, and which, according to its functions and Task Plan and in an independent manner, supervises the internal control structures of the Group.
- Corporate Ethics and Sustainability Global Division, which, among other responsibilities, manages opportunities connected to the impact of the services provided by Telefónica, S.A. and the other companies of its Group within society, and stakeholder engagement.
- Business Principles Office, which is responsible for the implementation, disclosure and observance of the Business Principles as well as for establishing appropriate mechanisms to ensure compliance with them.
- Other corporate units that control specific compliance risks relating to insurance, regulation, privacy, competition, environment, supply chain, commerce activity, tax, capital markets and finance, security market or other legal security and systems and employment-related risks.

**c) Risk management model:**

Risk Management is an essential instrument of internal control of Telefónica, S.A. and the other companies of its Group, allowing for the identification and management thereof. The Telefónica Group has a Risk Management Policy to regulate this essential internal control instrument, which allows for:

- Facilitating the identification, assessment (in terms of impact and probability of occurrence), reporting and management of all risk categories (Business, Operational, Financial, Legal and Compliance).

- Systematising the activities and processes regarding the Management of Risks, ensuring reliability of the results.
- Training and engaging employees in the Risk Management culture, encouraging them to identify risks and actively participate in their mitigation.

The model establishes the process for quickly identifying, managing and reporting risks, with the managers being responsible for the identification and management of risks within their area of responsibility.

Telefónica's Risk Management Model is aligned with the best internal control practices (*ERM COSO 2017 Report and the ISO 31000 Standard*) and develops the Group's Business Principles in this area. The risk management monitoring function (within the Internal Audit department and independent of the company's management) promotes, supports, coordinates and verifies the application of the provisions set forth in the Risk Management Policy.

#### **d) Internal regulations:**

The set of internal regulations of Telefónica, S.A. and the other companies of its Group organising the operation thereof are especially important within the control environment described above. This general regulatory framework, as well as the specific main regulations within the Crime Prevention Programme, are described in detail in section 4.3 below. The organisation and production of regulations is governed by the provisions of the corporate regulations for preparing and organising the regulatory framework. The Internal Audit department coordinates and reviews the consistency of the Telefónica Group's internal regulatory framework by encouraging the development and monitoring of standards and promoting actions that support the updating and communication of these standards, always in line with the provisions set forth in the Regulations for the preparation and organisation of Telefónica's regulatory framework.

#### **e) Reporting channels:**

The Telefónica Group has a Whistleblower Channel through which employees, managers, board members and other stakeholders of the Telefónica Group must communicate any information they become aware of, in any way (formally or otherwise) regarding the existence of a possible irregularity, any act that is contrary to the law or the internal regulations; also including any possible irregularities regarding accounting issues, questions related to auditing and/or aspects related to internal control of financial reporting (section 301 of the Sarbanes-Oxley Act) and any other requirements in this regard. Internal Audit is responsible for registering and allowing the communications received through the Channel to be processed and it will proceed to verify and review the facts reported, and where appropriate, proposing the corresponding action plans both



for the findings identified as well as to resolve any internal control deficiencies and other matters that may have become apparent as a result of these audit tasks, all with the participation of the affected departments as well as the Compliance department in accordance with the provisions set forth in the Whistleblower Channel Management Policy.

**f) Specific controls regarding the financial and accounting process:**

The companies of the Telefónica Group have a specific internal control system regarding financial and accounting information which, in accordance with the legal requirements of Spain and the United States, assessed annually by Internal Audit for the internal control system on the Telefónica Group's consolidated financial reporting, to detect any deficiency or weakness that might exist, an assessment which is validated by a report of the external auditor.

**g) Specific controls regarding non-financial processes:**

In addition to the specific controls of the financial and accounting reporting process, the Telefónica Group companies have a series of non-financial controls that form part of the control model for the non-financial obligations imposed on Telefónica by both applicable legislation and the Group's internal regulations. In addition, with respect to the non-financial information that must be reported in accordance with legislation, the external auditor issues an independent verification report on the said information.

**h) Periodic training and information:**

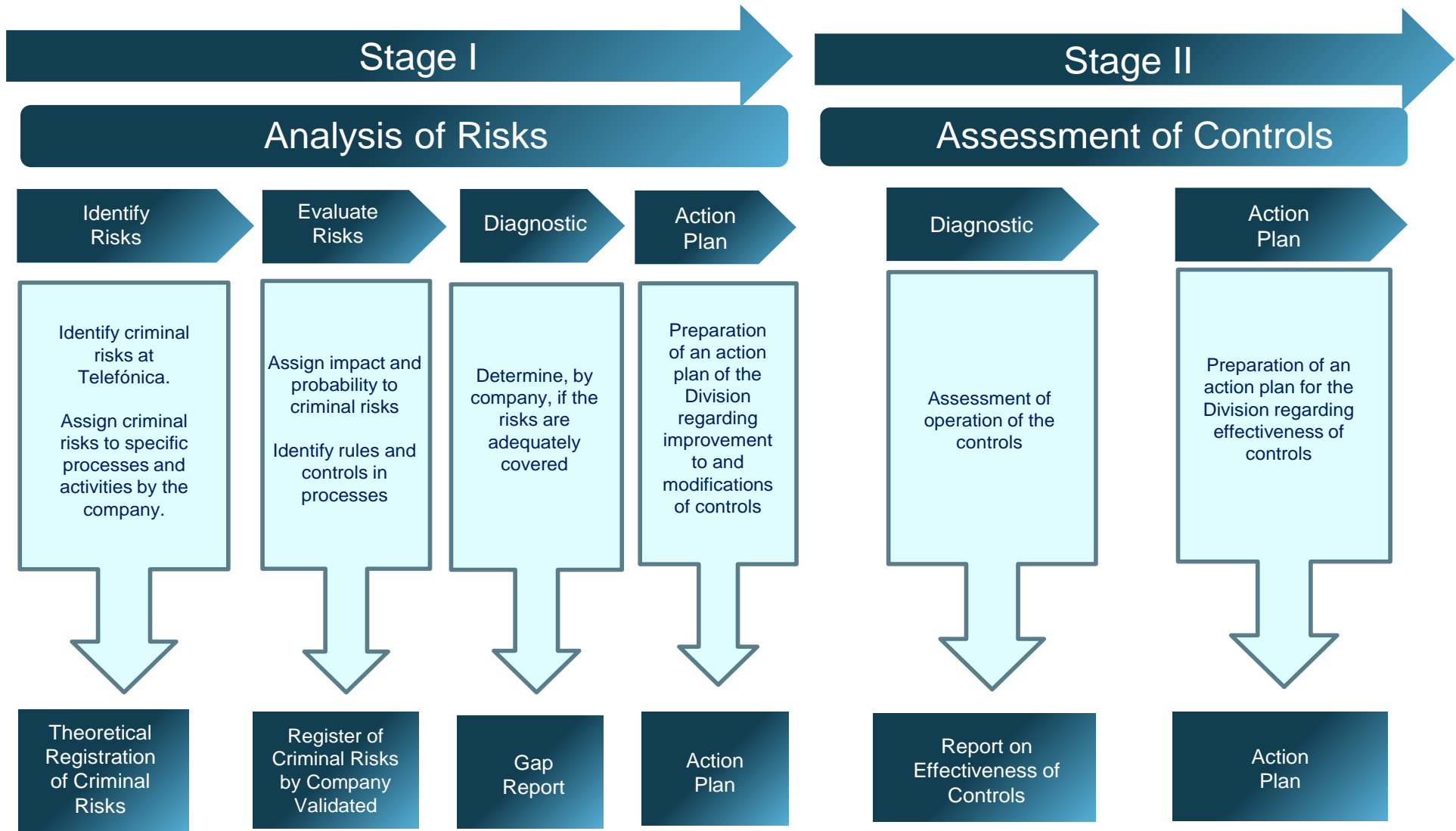
It is carried out in the context of a permanent awareness activity (information through ad hoc communications, publication on websites, specific training, etc.) addressed to all employees and related to the regulatory environment of Telefónica and its implications. It includes the training and information specifically referred to the Crime Prevention that is the object of this Policy.

## **4.2 Registration of Criminal Risks: Identification and Assessment of Risks**

Upon the entry into force of the criminal law amendments, Telefónica and the various companies of its Group in Spain commenced a process of identifying the criminal risks that might affect the Group, creating a register of criminal risks. The register of criminal risks is a written description, after a detailed analysis, of the potential criminal contingencies that might affect the various legal entities of the Telefónica Group in Spain, with an identification and specific assessment of the existing risk. There has also been a particular identification of the controls existing at the various companies of the Telefónica Group in Spain that mitigate these risks, and the effectiveness of the said controls has been verified.

The register of criminal risks has been developed in accordance with the diagram set out below:





In the framework of the activities provided for in the Telefónica Group Risk Management Policy, the register of criminal risks is not configured as a static register; on the contrary, the companies of the Telefónica Group in Spain shall periodically update these registers so they at all times faithfully reflect the potential criminal contingencies they face, and in accordance with which the preventive control mechanisms described in this policy have been established.

### **4.3 Internal Regulations**

As indicated in section 4.1 above, the companies of the Telefónica Group have a complete set of integrated internal regulations within their corporate governance structure, which defines the internal control system. These regulations, and the control system established thereby, go beyond the minimums required from a crime prevention standpoint.

Compliance with these internal regulations is required of all employees of the Telefónica Group, without exception.

As a fundamental regulation, and the basis for the entire set of existing regulations, Telefónica, S.A. and the other companies of its Group have a code of ethics call Business Principles (Annex I), the monitoring, control and implementation of which are the responsibility of the corporate Business Principles Office. The Business Principles group together a set of instructions or guidelines that must guide and orient the employees of the Group companies in their daily work, both in their decision-making and behaviour, as well as in the way that they interact with customers, suppliers, shareholders, employees and society in general. This code of ethics was established in December 2006 for application in all countries in which the Telefónica Group does business. The Business Principles, updated in May 2017, together with the values, vision and conduct of the companies of the Telefónica Group, make up its corporate culture.

In addition, a number of internal regulations have been established that define the internal control environment of the companies of the Telefónica Group, through which: (i) the internal structure and operation is organised, (ii) the use of their funds and their expenses and investments are controlled, (v) the principles of corporate responsibility at the programmatic level are developed within the Business Principles of the companies of the Group, ensuring the practical compliance therewith (vi) establishes the protocols and procedures for the formation of the will of each legal person, of taking and executing decisions, and finally (vii) common principles, systems and standards are established in organisation and operation at the financial and accounting level within the companies of the Telefónica Group.

In this way, analysing the specific level of criminal risks included in such registers, the internal regulations of Telefónica, S.A. applicable to the other companies of the Group cover the following criminal risks, grouped for this analysis on the basis of the legal assets affected:

#### a) General framework of protection

The companies of the Telefónica Group have governing regulations, with a proper procedure for managing questions and complaints through a confidential channel. Specifically, these regulations are made up of:

- Corporate Regulation for the elaboration and organisation of the regulatory framework.
- Whistleblower Channel Management Policy.

There is a specific regulation regarding the framework for authorisations of employees of the Telefónica Group, as well as control of the various managers within the Group, delimited by their hierarchical relationships, of control, and of the delegation of responsibilities, where so permitted:

- Corporate Policy on Internal Controls of the Telefónica Group.
- Compliance Department's Statutes, Regulations and Manual.
- Corporate Regulation on Group operations with centralised decision-making (NCC-001).
- Governing Regulation of the PAC for the approval of Projects and Capex.
- Executive Authorisation Circular (SGYC-002).
- Payment Control Regulation (NCC-002).
- Corporate Regulation regarding the contracting of goods and services (NCC-003) and Telefonica Procurement Model Manual.
- Operational Regulations at Companies with Bare Structure or in Special Situations (NCC-010).

There is also a Risk Management Policy which sets forth the basic principles which guide the general risk management activities within the Telefónica Group.

## b) Right to privacy, secrecy of communications and data protection

The companies of the Telefónica have regulations on the protection of data, privacy, protected files, guarantee against discovery and disclosure of secrets, etc. (CC art. 197 and related); protection against damage to electronic information of any kind, including inaccessibility, alteration, etc. (CC art. 264 and related); protection against abuse due to falsification of money, credit cards, alteration, copying, reproduction, etc. (CC art.386, art. 399 and related); protection against stolen data and discovery of business secrets, disclosure of business secrets (CC arts. 278, 279, 280 and related):

- Global Security Policy
- Global Security Regulation
- Instruction on Protection of Personal Data in Telefonica Group.
- Global Privacy Policy
- Regulation on the Governance of the Protection of Personal Data Model
- Corporate Regulation on Information Technology Controls (NCC-011).
- .
- Regulation on Social Networks

## c) Capital Markets

The companies of the Telefónica Group have regulations on the guarantees of truthful economic/financial information in prospectuses (CC art. 282 *bis* and related), protection against the abuse of inside information (CC art. 285 and related), as well as against the alteration of prices by means of rumours, false news, or abuse of information to ensure dominant market position (CC art. 284.2 and 3 and other related articles):

- Regulation on communication of information to the markets.
- Regulation regarding the registration, communication and control of financial/accounting information (NCC-005).
- Corporate Regulation on single till and credit claims through Telfisa (NCC-004).

- Regulation on Intragroup Operations (NCC-006).
- Regulation regarding the Investment, Fixed Asset Management and Divestment Process (NCC-009).
- Regulation on Operations at Companies with Bare Structure or in Special Situations (NCC-010).
- Internal Code of Conduct for Securities Markets Issues.
- Policy on Information, Communication and Contact with Shareholders, Investment Institutions and Voting Advisors.

There is also an Accounting Policies Manual, based on International Financial Reporting Standards (IFRS), which aims to homogenise and establish standards for compliance with accounting regulations, as well as Instructions for the closing and audit of the consolidated annual financial statements, for each fiscal year. There is also a Consolidation Reporting Compliance Manual, which is periodically updated, and which allows for the homogenisation of consolidated accounting information.

#### d) Anti-fraud and anti-corruption in a broad sense, as well as the crime of illegal financing of political parties

The companies of the Telefónica Group have regulations on the protection against the crime of frustrated execution (CC art. 257 and related), corruption in business (CC art. 286 *bis* and *quarter* and related) as well as against corruption of public officials, bribery, or influence peddling (CC arts. 424 *et seq.*, 427, 429, 430 and related), at the national level and in international commercial transactions (CC art. 427 and related); also, protection against the crime of misappropriation of public funds (CC art. 432 and related) protection against the crime of fraud (CC arts. 248, 251, 251 *bis* and related), against the crime of price manipulation (CC art. 284.1 and related) or potential manipulations in bids for raw materials or essential products (CC art. 281 and related); protection against the crime of corruption or malfeasance of office in urban development or zoning (CC art. 319 and related); also, guarantees against money-laundering (CC art. 301 and related) and against the illegal financing of political parties:

- Regulation on the approval of Sponsorships and Patronages (NCC-012).
- Regulation on Travel and Representation Expenses (NCC-007).
- Anticorruption Policy.

- Regulation on the Certification of Executives in Anti-Corruption Matters.
- Regulation on relations with Public Entities.
- Regulation on Contracting related to Public Entities.
- Corporate Regulation regarding Conflict of Interest.
- Corporate Regulation of Purchase of Good and Services (NCC-003) and Telefonica Procurement Model Manual.
- Corporate Regulation Payment Control (NCC-002).
- Corporate Regulation on single treasury system and credits through Telfisa (NCC-004).
- Corporate Regulation on the Investment and Fixed Asset Management and Divestment Process (NCC-009).
- Corporate Regulation on operations at companies with Bare Structure or in Special Situations (NCC-010).
- Corporate Regulation for Action and Transparency on Media Management.

#### e) Environment

The companies of the Telefónica Group have regulations on the protection against environmental damages in the broad sense (CC arts. 325, 326, 327, 328 and related), including protection against the emission of ionising radiation (CC art. 343 and related), as well as against crimes of risk caused by explosives and other agents (CC art. 348 and related):

- Environmental Policy of Telefonica.
- Regulation on Environmental Management of Telefonica.
- Supply Chain Sustainability Policy.
- Corporate Regulation of Supply Chain.
- Telefonica's Sustainable Energy Management Policy.

#### f) Crimes of exploitation of persons, especially of workers



The companies of the Telefónica Group have regulations on the protection against unlawful exploitation of persons, including workers, in the broad sense, domestically or abroad (CC arts. 177 *bis*, 318 *bis* and related):

- Responsible Business Policy.
- Global Human Rights Policy.
- Diversity and Inclusion Policy.
- Supply Chain Sustainability Policy.
- Corporate Regulation on the Supply Chain.
- 
- Action Protocol in Situations of Harassment at Work or Moral Harassment, Sexual Harassment and Discrimination.
- Instruction on Work Risks in Contracting Works and Services (ICC-001).

g) Protection against deceptive advertising:

The companies of the Telefónica Group have regulations on the protection against deceptive advertising (CC art. 282 and related).

- Telefónica Group's Regulation on Responsible Communication.

h) Protection against the use of technical media and supports of companies against promotion of discrimination, hate or violence against people:

The companies of the Telefónica Group have regulations on protection against the use of the companies' technical resources and supports against any type of illegal activity of a sexual or pornographic nature in relation to minors (CC art. 189 *bis* and related), and against the provocation of discrimination, hatred or violence against people (CC arts. 510 *et seq.*):

- Policy on the Acceptable Use Policy for Internet Services.

i) Protection against tax risks:

The companies of the Telefónica Group have regulations on protection against tax risks (CC arts. 305 *et seq.*, 310 *bis* and related).

- Corporate Tax Control Policy.
- Corporate Regulations on Payments (NCC-002).
- Corporate Regulations regarding the contracting of goods and services (NCC-003) and the Telefonica Procurement Model Manual.
- Regulation for the incorporation of the single treasury system and request for credits through Telfisa (NCC-004).
- Corporate Regulation regarding the registration, communication and control of financial/accounting information of companies of the Telefónica Group (NCC-005).
- Regulation on Intragroup Operations (NCC-006).
- Regulation on the Investment, Fixed Asset Management and Divestment Process (NCC-009).
- Regulation on Operations at Companies with Bare Structure or in Special Situations (NCC-010).

j) Protection against defrauding consumers through fraudulent use of automatic devices or fraud in the provision of communications:

Telefónica España has a number of processes tending to protect the consumer in the provision of telecommunications services that Telefónica performs in its capacity as a communications operator (CC art. 283 and related and CC art. 286 and related). The main processes that can be considered relevant for these purposes would be the following: (i) the management and use of information technology systems, (ii) the staff obligations in the use of information technology tools; (iii) the security in the development of systems; (iv) the control of fraud caused by unsolicited messages (spam); (v) the supervision of the plant and of the service.

k) Other unlawful acts:

There are no specific regulations against other unlawful acts, for example, those regarding trafficking in human organs (CC art. 156 and related), the trafficking of drugs (CC arts. 368 *et seq.*, 369 *bis* and related), or crimes of terrorism (CC art. 570 *quáter*, 576 and related) and

organisations, terrorist groups and terrorism, as they are risks quite outside the scope of action of the companies of the Telefónica Group. However, the code of ethics called Responsible Business Principles, as a general preventive system, governs all of them.

#### **4.4 Processes**

The internal processes established within the various companies making up the Telefónica Group in Spain establish the controls necessary to mitigate the criminal risks that may affect the companies of the Telefónica Group, considering the legislation in force at all times.

The companies of the Telefónica Group have duly documented and updated their principal business and support processes, with specific units in charge of maintaining such descriptive processes.

In addition, it should be pointed out that a large majority of these processes are supported by information technology systems and applications that facilitate control of the various areas.

#### **4.5 Communication and Training**

All employees of the companies of the Telefónica Group have the obligation to know and comply with the internal regulatory system, all based on the obligations of their position and responsibility.

Furthermore, all must cooperate in the most effective implementation thereof and compliance therewith, which includes the obligation to report any possible irregular action or conduct through the Whistleblower Channel.

The companies of the Telefónica Group perform the relevant work of continuous information dissemination and training of all personnel.

#### **4.6 Penalties**

In accordance with the corporate Regulations for the preparation and organisation of the regulatory framework, all the internal regulations which make up the Telefónica Group Regulatory Framework are obligatory for all of the employees of the Group, with each of them being applicable in the scope of their respective duties and competencies.

In this context, the Telefónica Group has a Corporate Policy on the Comprehensive Discipline Programme, applicable to all its employees, which defines the basic principles of the Group's disciplinary system. This Policy establishes that breaches of the Internal Regulations are considered employment-related offences, which can be sanctioned in accordance with the specific provisions of the said legislation and the applicable Internal Regulations.

This policy, which is minimal in nature, establishes the disciplinary system applicable to all employees of the Telefónica Group, without prejudice to the provisions established, where applicable, in the legal and regulatory provisions, collective agreements, pacts or similar agreements, as well as any applicable criminal and employment legislation.

In addition, Telefónica has a corporate Disciplinary Action Committee, which is the body responsible for ensuring the effective development of this Policy at a global level.

That sanctioning system associated with the Crime Protection Programme will be the result of the application of the Corporate Policy on the Comprehensive Discipline Programme. With regards conduct that may eventually give rise to criminal liability of natural persons and, by derivation, of the legal persons they are linked to, the sanctioning system will be that corresponding to infractions or faults classified as very serious, with the additional consequences that correspond in terms of disciplinary actions.

Similarly, the disciplinary regime is applicable not only to the persons who have committed the non-complying act, but also to those who encourage them to do so, cooperate with them, or in any way assist them, as well as those who, having evidence or knowledge of any breach, contribute to preventing or hindering its discovery (including, where appropriate, through conduct that implies taking retaliation against the complainants), do not report it or do nothing to prevent it. Disciplinary action may also be taken against employees who, knowingly and in bad faith, make false accusations or reports with the intent to harm another person.

## **5. CRIME PREVENTION FUNCTION**

The Crime Prevention Function shall be carried out by the Compliance Unit (Compliance) who, in collaboration with the Internal Audit Division and the Legal Services Division, which shall perform duties relating to the design, documentation, update and monitoring of the Crime Prevention Programme of Telefónica. To develop the Crime Prevention Function, a Crime Prevention Committee has been created, which will include directors from the Compliance Unit (Compliance), Internal Audit and of the Legal Services Division, each one in their respective area of responsibility.

This Crime Prevention Committee meets as often as necessary for the proper operation of the Programme, and at least quarterly. The companies of the Telefónica Group to which this Policy applies may choose to have their own specific crime prevention committee after consulting the Crime Prevention Committee.

In relation with each Group company or business unit, the Crime Prevention Function has the following powers, among others:

- a) To supervise the operation, implementation, development, compliance with and communication of the Crime Prevention Programme.
- b) To drive and coordinate the review, updating and improvement of the Crime Prevention Programme, which shall include the updating of the risk register. This review shall be performed based on a model that establishes a variable review frequency for each company based on the volume and risk thereof, as well as when the regulatory or jurisprudential changes so advise.
- c) To define the objectives, scope and priorities of the model for assessing the Crime Prevention Programme and, where applicable, of the compliance management against crime system which may be in place as well as monitor the said objectives etc.
- d) To propose required modifications or updates to the Crime Prevention Programme, and particularly improvements that should be applied in view of the conclusions reached during prior reviews and potential breaches detected through ongoing supervision of the Model.
- e) To receive all suggestions relating to the Crime Prevention Programme, as well as to process such suggestions so that they are properly taken into account.
- f) To know with all the required detail and evaluate the results of the tests performed in the review of the Programme.
- g) Know and follow up, the internal investigations about suspicious acts, situations or facts that could be opened in relation with that proofs and controls or, in general, with the application of the Programme.
- h) Know and follow up on cases in which a court can initiate a legal proceeding that affects the company to which the Programme refers to, regardless of whether or

not it has been identified as an area of risk or improvement, or that whether the corresponding internal investigation has been opened or not.

- i) On a general basis, to promote and supervise the resolution of incidents, as well as the implementation and monitoring of recommendations to improve the Programme that may have been made, whether that be as a consequence of the verification mentioned in the following section or as a consequence of any other matter agreed in the Crime Prevention Committee.
- j) To regularly report to the Audit and Control Committee of Telefónica, S.A. on the operation of the Programme, including material breaches or incidents detected, as well as on the plan of action or measures adopted to resolve them.

## **6. AUDIT OF THE PROGRAMME'S OPERATION**

The operation of the Crime Prevention Programme will be subject to an audit to be carried out with the periodicity necessary in response to the circumstances in each company, although this will be considered especially on the occasion of:

- i) Changes in the organisation or control structure.
- ii) Changes in the activity carried out by the company that could eventually result in a necessary expansion of the scope of control.
- iii) Modifications in the Criminal Code or in its jurisprudential interpretation in areas that affect the activity of the company.
- iv) Any other objective circumstances that may substantially alter the risk profile of the company.

## **7. ENTRY INTO FORCE**

This Policy shall enter into force on the date of approval hereof by the Board of Directors.