Telefónica
Deutschland

TELEFÓNICA DEUTSCHLAND HOLDING AG

Annual (virtual) General Meeting of Telefónica Deutschland Holding AG on 20 May 2021

Minimum information pursuant to section 125 para. 2 German Stock Corporation Act (AktG) in connection with section 125 para. 5 AktG, article 4 para. 1 and table 3 of the annex to Implementing Regulation (EU) 2018/1212

Type of Information	Description
A. Specification of the message	
1. Unique identifier of the event	O2D052021oHV
2. Type of message	Meeting notice of a general meeting [format pursuant to Implementing Regulation (EU) 2018/1212: NEWM]
B. Specification of the issuer	
1. ISIN	DE000A1J5RX9
2. Name of issuer	Telefónica Deutschland Holding AG
C. Specification of the meeting	
1. Date of the general meeting	20.05.2021 [format pursuant to Implementing Regulation (EU) 2018/1212: 20210520]
2. Time of the general meeting	10:00 hours (CEST) [format pursuant to Implementing Regulation (EU) 2018/1212: 08:00 UTC]
3. Type of the general meeting	Ordinary General Meeting as virtual general meeting without physical presence of the shareholders and their proxies [format pursuant to Implementing Regulation (EU) 2018/1212: GMET]
4. Location of the general meeting	URL to the password-protected Internet service that can or must be used to exercise certain shareholder rights and for video and audio transmission of the virtual general meeting on the Internet: www.telefonica.de/agm Location of the general meeting as defined by the Stock Corporation Act: Business premises of Telefónica Deutschland Holding AG, Georg-Brauchle-Ring 50, 80992 Munich, Germany
5. Record Date	13.05.2021, after the last transcription [format pursuant to Implementing Regulation (EU) 2018/1212: 20210513]
6. Uniform Resource Locator (URL)	All information that must be communicated to shareholders prior to the virtual general meeting, including the procedures for attending, voting and exercising other shareholder rights, can be found at www.telefonica.de/agm

Telefónica Deutschland Holding AG

Munich

WKN: A1J5RX
ISIN: DE000A1J5RX9

Convening of the general meeting

We hereby invite our shareholders to

the **annual general meeting, which is held as virtual general meeting without physical presence of the shareholders and their proxies,**

taking place on 20 May 2021, at 10:00 hours (Central European Summer Time - CEST).

The annual general meeting is held exclusively as a virtual general meeting without physical presence of the shareholders and their proxies (with the exception of the proxies nominated by the Company) at the offices of Telefónica Deutschland Holding AG, Georg-Brauchle-Ring 50, 80992 Munich, Germany (place of the general meeting within the meaning of the German Stock Corporation Act). For further information on the rights of shareholders and their proxies, please refer to section III “Further information”.

I. Agenda

1. Submission of the adopted annual financial statements of Telefónica Deutschland Holding AG and the approved consolidated financial statements including the combined management report, each as of 31 December 2020, the descriptive report of the management board pursuant to sections 289a, 315a of the German Commercial Code (HGB) and the report of the supervisory board each for the financial year 2020

The above mentioned documents as well as the proposal by the management board for the distribution of net retained earnings can be found on the internet at www.telefonica.de/agm.

2. Resolution on appropriation of balance sheet profit

The management board and the supervisory board propose to resolve as follows:

"The net retained earnings for the year shown in the adopted annual financial statements of Telefónica Deutschland Holding AG as of 31 December 2020 in the amount of	EUR	535,419,898.74
will be distributed as follows:		
Distribution of a dividend in the amount of EUR 0.18 for each share entitled to dividends, in total	EUR	535,419,898.74

The dividend is due for payment on 26 May 2021."

3. Resolution on the discharge of the members of the management board

The management board and the supervisory board propose to resolve as follows:

> "The members of the management board in the financial year 2020 are discharged for this period."

4. Resolution on the discharge of the members of the supervisory board

The management board and the supervisory board propose to resolve as follows:

> "The members of the supervisory board in the financial year 2020 are discharged for this period."

5. Resolution on the appointment of the auditor and the group auditor for the financial year 2021, as well as the auditor for a potential review of the half-year financial report for the first six months of the financial year 2021 and any other potential interim financial information

The supervisory board proposes, based on the recommendation of its audit committee, to pass the following resolutions:

"a) PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office), is appointed as auditor and group auditor for the financial year 2021, as auditor for a potential review of the condensed financial statements and interim management report contained in the half-year financial report as of 30 June 2021 and as auditor for a potential review of potential additional interim financial information pursuant to section 115 para. 7 German Securities Trading Act (WpHG) for the financial year 2021."

"b) PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office), is appointed as auditor for a potential review of potential additional interim financial information pursuant to section 115 para. 7 German Securities Trading Act (WpHG) for the financial year 2022, if such review is conducted before the next general meeting."

The audit committee has stated that its recommendation is free from improper influence by a third party and that no clause restricting the choice within the meaning of Article 16 para. 6 of the Auditor Regulation (Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) has been imposed upon it.

6. Resolution on the approval of the remuneration system for the members of the management board

In accordance with section 120a para. 1 German Stock Corporation Act (AktG), the annual general meeting of a listed company shall resolve on the approval of the remuneration system for members of the management board presented by the supervisory board whenever there is a significant change to the system, but at least every four years.

Taking into account the requirements of section 87a para. 1 German Stock Corporation Act (AktG), the supervisory board, based on the recommendation of the remuneration committee of the supervisory board, adopted the remuneration system for the members of the management board set out below under section II.A.

The supervisory board proposes – based on the recommendation of the remuneration committee – to approve the remuneration system for the members of the management board as resolved by the supervisory board.

7. Resolution on the confirmation of the remuneration and resolution on the remuneration system for the members of the supervisory board

Pursuant to section 113 para. 3 of the German Stock Corporation Act (AktG), the annual general meeting of a listed company shall resolve on the remuneration of the members of the supervisory board at least every four years, whereby a resolution confirming the existing compensation is permissible.

In accordance with the suggestion in G.18 sentence 1 of the German Corporate Governance Code as amended on 16 December 2019, published on 20 March 2020 ("GCGC"), the remuneration of the supervisory board is purely fixed and is paid entirely in cash.

Against the background of steadily increasing demands on the supervisory board's control and advisory activities and in view of the supervisory board remuneration of comparable companies, the current remuneration of the supervisory board was resolved by resolution of the annual general meeting on 20 May 2020, and the remuneration in section 20 of the articles of association was revised accordingly. The underlying abstract remuneration system with the disclosures pursuant to sections 113 para. 3 sentence 3, 87a para. 1 of the German Stock Corporation Act (AktG) is provided below under section II.B.

The management board and supervisory board are of the opinion that the level of remuneration and the structure of the remuneration system for the members of the supervisory board are appropriate in view of the duties of the members of the supervisory board and the situation of the Company, and that the supervisory board receives remuneration that is in line with market practice and is at the same time moderate.

The management board and supervisory board therefore propose to confirm the existing remuneration provisions for the members of the supervisory board, which are specifically set out in section 20 of the articles of association and which are based on the abstract remuneration system provided below under section II.B..

8. Election to the supervisory board

Ms Sally Anne Ashford, a member of the supervisory board elected by the annual general meeting on 9 May 2017 as shareholder representative, resigned from her office as member of the supervisory board with effect from the end of the supervisory board meeting on 25 September 2020. Ms Sally Anne Ashford was elected as a shareholder representative on the supervisory board for the period until the end of the annual general meeting in 2022, which resolves on the discharge for the financial year 2021. By resolution of the Munich local court dated 30 September 2020, Ms Stefanie Oeschger was appointed as a member of the supervisory board of the Company with effect from 3 October 2020, to succeed Ms Sally Anne Ashford, who has resigned, as a shareholder representative.

Furthermore, Ms Patricia Cobián González, a supervisory board member elected as shareholder representative by the annual general meeting on 9 May 2017, resigned from her office as supervisory board member with effect from the end of the supervisory board meeting on 25 September 2020. Ms Patricia Cobián González was elected as a shareholder representative on the supervisory board for the period until the end of the annual general meeting in 2022, which resolves on the discharge for the financial year 2021. By resolution of the Munich local court dated 30 September 2020, Mr Ernesto Gardelliano was appointed as a member of the supervisory board of the Company with effect from 5 October 2020 to succeed Ms Patricia Cobián González, who has resigned, as a shareholder representative.

Ms Stefanie Oeschger and Mr Ernesto Gardelliano are now to be elected by the annual general meeting as shareholder representatives to the supervisory board of the Company.

Pursuant to section 11 para. 1 of the articles of association the supervisory board of Telefónica Deutschland Holding AG has 16 members, and is pursuant to sections 96 para. 1 and para. 2, 101 para. 1 German Stock Corporation Act (AktG) in conjunction with section 7 para. 1 German Co-Determination Act (MitbestG) of 4 May 1976 composed of eight members who are elected by the general meeting and eight members who are elected by the employees and at least of 30 % women and 30 % men. In principle, the minimum gender quota has to be fulfilled by the supervisory board as a whole. The shareholder representatives objected to the joint fulfilment of the quota pursuant to section 96 para. 2 sentence 3 German Stock Corporation Act (AktG). Therefore, the minimum quota for this election has to be fulfilled separately by the shareholder representatives and the employee representatives and corresponds to at least two women and at least two men for each side.

At the time of the announcement of the convening of this annual general meeting, two shareholder representatives are women and six shareholder representatives are men. On the basis of separate fulfilment, the minimum gender quota is thus fulfilled by the shareholder representatives and would continue to be fulfilled after the election of the proposed candidates.

If a supervisory board member elected by the general meeting resigns from the supervisory board before the end of his or her term of office, a successor shall be elected pursuant to section 11 para. 2 sentence 3 of the articles of association for the remainder of the term of office of the resigned supervisory board member, unless the general meeting resolves on a different term of office.

The supervisory board proposes to pass the following resolution:

a) "Ms Stefanie Oeschger,
with residence in Zurich, Switzerland,
independent strategic consultant,

is elected as shareholder representative to the supervisory board of Telefónica Deutschland Holding AG.

The election will take effect at the end of the general meeting on 20 May 2021 for the remaining term of office of the resigned member of the supervisory board Ms Sally Anne Ashford, i.e. until the end of the general meeting which passes the resolution on the discharge for the financial year 2021."

b) "Mr Ernesto Gardelliano,
with residence in Madrid, Spain,
Group Controller & Planning Director Telefónica, S.A.,

is elected as shareholder representative to the supervisory board of Telefónica Deutschland Holding AG.

The election will take effect at the end of the general meeting on 20 May 2021 for the remaining term of office of the resigned member of the supervisory board Ms Patricia Cobián González, i.e. until the end of the general meeting which passes the resolution on the discharge for the financial year 2021."

The above proposals for election are based on the recommendation of the nomination committee of the supervisory board. They take into account the objectives set by the supervisory board with respect to its composition and the competence profile for the entire supervisory board determined by the supervisory board; they are also in line with the diversity concept pursued by the Company.

The Curriculum Vitae of Ms Oeschger and Mr Gardelliano, which provide information in particular on relevant knowledge, skills and professional experience, are available to the shareholders from the day on which the general meeting is convened at www.telefonica.de/agm.

Information pursuant to section 125 para. 1 sentence 5 German Stock Corporation Act (AktG)

re a) At the time of the announcement of the convening of this annual general meeting, Ms Oeschger is not a member of any other supervisory boards required to be established by law or of any comparable domestic or foreign supervisory bodies of business enterprises.

re b) At the time of the announcement of the convening of this annual general meeting, Mr Gardelliano is not a member of any other supervisory boards required to be established by law or of any comparable domestic or foreign supervisory bodies of business enterprises.

Information pursuant to the recommendations of the German Corporate Governance Code

The information deemed relevant by the supervisory board for this election relating to the personal and business relationships of the proposed candidate to the Company, the corporate bodies of the Company and any shareholder holding a significant interest in the Company is disclosed as follows:

re a) Ms Oeschger: none

re b) Mr Gardelliano is Group Controller & Planning Director of Telefónica, S.A., Madrid, Spain, the indirect majority shareholder of Telefónica Deutschland Holding AG. Mr Gardelliano also holds shares in Telefónica, S.A., Madrid, Spain, and participates in its employee share option program.

In their assessment, Ms Oeschger and Mr Gardelliano have sufficient time to perform their duties on the supervisory board of Telefónica Deutschland Holding AG.

9. Resolution on the cancellation of the existing and the creation of a new authorized capital with the authorization to exclude the subscription right as well as the corresponding amendment of the articles of association

The Authorized Capital 2016/I of Telefónica Deutschland Holding AG (section 4 para. 3 of the articles of association of Telefónica Deutschland Holding AG) in the amount of EUR 1,487,277,496.00 expires on 18 May 2021.

In order to maintain the Company's room for action, a new authorized capital in the amount of EUR 1,487,277,496.00 shall be created (Authorized Capital 2021/I).

The management board and the supervisory board propose that the following be resolved:

"a) The authorization of the annual general meeting of 19 May 2016 to increase the share capital of the Company (Authorized Capital 2016/I), as set out in section 4 para. 3 of the articles of association, shall be revoked.

b) The management board shall be authorized, with the approval of the supervisory board, to increase the share capital of the Company by up to EUR 1,487,277,496.00 by 19 May 2026 (inclusive) by issuing up to 1,487,277,496 new registered no-par value shares against cash contributions and/or contributions in kind on one or more occasions ("Authorized Capital 2021/I").

Shareholders are generally entitled to subscription rights. The new shares may also be issued to one or more banks or other companies named in section 186 para. 5 sentence 1 German Stock Corporation Act (AktG) with the obligation to offer them to the shareholders (indirect subscription right) or may also be granted in part by way of a direct subscription right (for example to shareholders entitled to subscribe who have entered into a fixed subscription agreement in advance) or otherwise by way of an indirect subscription right in accordance with section 186 para. 5 German Stock Corporation Act (AktG).

The management board is authorized, with the approval of the supervisory board, to exclude shareholders' subscription rights:

- for fractional amounts;

- if the capital increase is made against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or interests in companies (including increasing shareholdings);

- if the capital increase is effected against cash contributions and the total share of share capital represented by the new shares does not exceed either 10 % of the share capital existing at the time of registration of this authorization or 10 % of the share capital existing at the time of issue of the new shares, provided that the issue price of the new shares is not significantly lower than the stock market price of the Company's shares of the same class and rights already listed at the time the management board finally determines the issue price. All shares issued or sold under exclusion of subscription rights in accordance with or by analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) from the time of registration of this authorization shall be counted towards the aforementioned maximum amount; or

- if it is necessary for protection against dilution in order to grant holders of conversion and option rights issued or to be issued by the Company or by its Group companies within the meaning of section 18 German Stock Corporation Act (AktG) subscription rights to new shares to the extent to which they would be entitled after exercising their conversion and option rights.

The management board is authorized, with the approval of the supervisory board, to determine the further details of the implementation of capital increases from Authorized Capital 2021/I.

c) Amendment to the articles of association

Section 4 para. 3 of the articles of association of the Company shall be reworded as follows:

"*The management board is authorized, with the approval of the supervisory board, to increase the share capital of the Company by up to EUR 1,487,277,496.00 by 19 May 2026 (inclusive) by issuing up to 1,487,277,496 new registered no-par value shares against cash contributions and/or contributions in kind on one or more occasions ("Authorized Capital 2021/I"). Shareholders are generally entitled to subscription rights. The new shares may also be issued to one or more banks or other companies named in section 186 para. 5 sentence 1 of the German Stock Corporation Act (AktG) with the obligation to offer them to the shareholders (indirect subscription right) or may also be granted in part by way of a direct subscription right (for example to shareholders entitled to subscribe who have entered into a fixed subscription agreement in advance) or otherwise by way of an indirect subscription right in accordance with section 186 para. 5 German Stock Corporation Act (AktG).*

The management board is authorized, with the approval of the supervisory board, to exclude shareholders' subscription rights:

- *for fractional amounts;*

- *if the capital increase is made against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or interests in companies (including increasing shareholdings);*

- *if the capital increase is effected against cash contributions and the total share of share capital represented by the new shares does not exceed either 10 % of the share capital* *existing at the time of registration of this authorization or 10 % of the share capital existing at the time of issue of the new shares, provided that the issue price of the new shares is not significantly lower than the stock market price of the Company's shares of the same class and rights already listed at the time the management board finally determines the issue price. All shares issued or sold under exclusion of subscription rights in accordance with or by analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) from the time of registration of this authorization shall be counted towards the aforementioned maximum amount; or*

- *if it is necessary for protection against dilution in order to grant holders of conversion and option rights issued or to be issued by the Company or by its Group companies within the meaning of section 18 German Stock Corporation Act (AktG) subscription rights to new shares to the extent to which they would be entitled after exercising their conversion and option rights.*

The management board is authorized, with the approval of the supervisory board, to determine the further details of the implementation of capital increases from Authorized Capital 2021/I.

The supervisory board is authorized to amend the wording of section 4 para. 1, 2 and 3 of the articles of association after the full or partial implementation of the share capital increase in accordance with the respective utilization of Authorized Capital 2021/I and, if Authorized Capital 2021/I is not or not fully utilized by 19 May 2026 (inclusive), after the expiry of the authorization period.""

Report of the management board to the annual general meeting on item 9 of the agenda pursuant to sections 203 para. 2, 186 para. 4 sentence 2 of the German Stock Corporation Act (AktG)

With regard to item 9 of the agenda, the management board has submitted a written report on the reasons for the possible exclusion of subscription rights pursuant to section 203 para. 2, 186 para. 4 sentence 2 German Stock Corporation Act (AktG), which is provided below under section II.C. and is available on the website www.telefonica.de/agm from the time the annual general meeting is convened. The report will also be accessible during the annual general meeting.

II. Further information and reports

A. Information on item 6 of the agenda: remuneration system for members of the management board

1. Principles of the remuneration system

Telefónica Deutschland Holding AG (Telefónica Deutschland) provides mobile network and fixed-line services for private and business customers as well as digital products and services. With over 43 million mobile network connections and over two million broadband connections, Telefónica Deutschland is one of the three leading integrated network operators in Germany. Telefónica Deutschland is part of the Spanish telecommunications group Telefónica, S.A., one of the world's largest telecommunication providers of mobile and fixed-line services for private and business customers, which indirectly holds 69.2 % of the shares of Telefónica Deutschland.

Telefónica Deutschland has the long-term goal of increasing value for shareholders, customers, employees and the society through sustainable growth and innovative products. To achieve this goal, in addition to continued efforts to strengthen the O_2 brand, the company aims to utilize its strong market position in order to benefit from being actively involved in the digitalization process. Strategic growth areas for reaching new customers include in particular rural areas, stronger marketing of bundled products such as bundling mobile and fixed-line products and successfully addressing the business customer segment.

With its strong mobile network infrastructure, Telefónica Deutschland is situated at an important interface for the digital interconnectivity that is ever-increasing across all areas of life. Building on the foundation of the 5G spectrum that has been secured and the further expansion of the LTE network, Telefónica Deutschland aims to provide significant impetus to the digital future of society.

This will keep Telefónica Deutschland on a sustainably profitable growth trajectory. In order to continue on this path, the management board remuneration is aligned with corporate strategy and provides incentives for implementing the corporate strategic goals just mentioned. To ensure that the remuneration of the management board members reflects performance, the amount of remuneration is linked to key performance criteria and parameters that are essential for the success of the company.

The remuneration of the management board members increasingly focuses on long-term components to promote the long-term and sustainable development of the company. Alongside key financial indicators, the performance criteria for the variable remuneration specified by the supervisory board may include non-financial targets such as ecological or social aspects to promote the focus on sustainability. In addition, components with long-term incentive effects are largely linked to the development of the Telefónica Deutschland share price to ensure that the interests of the management board are continually aligned with those of the shareholders.

The remuneration system complies with the requirements of the German Stock Corporation Act (AktG), as amended by the Act on Transposition of the Second European Shareholders’ Rights Directive (ARUG II).

2. Procedure for determining, implementing and reviewing the remuneration system

The supervisory board defines the remuneration system for the management board pursuant to section 87a (1) AktG. In this context, the supervisory board takes the preliminary referrals and recommendations of the Remuneration Committee into account. The remuneration system is submitted to the annual general meeting for approval in accordance with the requirements of the German Stock Corporation Act (AktG).

Following the preliminary referral by the Remuneration Committee, the supervisory board regularly reviews the remuneration system to identify any need for action.

2.1. Appropriateness of the management board remuneration

In accordance with section 87 (1) AktG, the supervisory board determines the remuneration of management board members, ensuring that it appropriately reflects the responsibilities and performance of each management board member, as well as the company’s economic situation, and does not exceed the usual remuneration without a specific reason. In addition, the remuneration structure is to be oriented towards the promotion of a sustainable and long-term development of the company.

The supervisory board reviews the appropriateness of the management board remuneration on a regular basis, taking into account the recommendations of the Remuneration Committee. The supervisory board uses both a horizontal comparison with management board members of peer companies and a vertical comparison with employees of Telefónica Deutschland.

To evaluate the appropriateness on a horizontal level, the supervisory board considers TecDAX companies as a peer group because Telefónica Deutschland is listed in this index and it includes the largest exchange-listed national technology companies, as well as any other relevant companies.

The senior management and the workforce of the German group is taken into account for evaluating appropriateness on a vertical level. In this process, both the current ratio of the management board's remuneration compared to the remuneration of senior management and the workforce as a whole, as well as the change of the ratio over time is assessed. Furthermore, the supervisory board takes the respective employment conditions such as working hours and vacation periods into account.

2.2. Measures for avoiding conflicts of interest

The relevant statutory regulations and provisions in the supervisory board's rules of procedure apply to avoid conflicts of interest. Accordingly, each supervisory board member must immediately report any conflicts of interest to the chairperson of the supervisory board. In its report to the annual general meeting, the supervisory board reports on any conflicts of interest that have occurred and how they were handled.

3. Overview of the remuneration system

The remuneration system of Telefónica Deutschland is primarily as follows:

Components		Description
Fixed remuneration components	Base salary	▪ Fixed remuneration paid out in twelve equal monthly amounts
	Fringe benefits	▪ Primarily a company car, insurance, D&O insurance with a deductible as well as other allowances and, if necessary, compensation for forfeited remuneration from previous employment or service contracts
	Pension commitments	▪ Financial contribution in the amount of a fixed percentage of the annual base salary stipulated in the employment agreement that is invested in a reinsured support fund

Variable remuneration components	One-year variable remuneration (Bonus I)	▪ One-year cash bonus
		▪ Performance criteria
		    ▪ At least 70 % selected performance criteria of Telefónica Deutschland
		    ▪ At most 30 % business performance of Telefónica, S.A.
		▪ Cap: 150 % of the target amount

	Telefónica Deutschland Performance Share Plan (Bonus II)	▪ Performance Share Plan ▪ At least three-year performance period ▪ Selected performance criteria ▪ Target achievement: 0 % up to a maximum value (cap) ▪ Cap: 200 % of the grant value
	Telefónica, S.A. Performance Share Plan (Bonus III)	▪ Performance Share Plan ▪ At least three-year performance period ▪ Selected performance criteria ▪ Target achievement: 0 % up to a maximum value (cap)
Additional contractual components	Malus/Clawback	▪ Partial or complete reduction or reclaim of the variable remuneration possible
	Maximum remuneration	▪ Chief Executive Officer: EUR 4,900,000 ▪ Ordinary Management Board member: EUR 2,300,000

3.1. Components of the remuneration system

The remuneration system for the management board is comprised of fixed and variable components, which add up to the total compensation of a management board member.

Fixed remuneration comprises base salary, fringe benefits and pension commitments. Variable remuneration components comprise the one-year variable remuneration (Bonus I) and the components with long-term incentive effects. These include the Telefónica Deutschland Performance Share Plan (Bonus II), the Telefónica, S.A. Performance Share Plan (Bonus III), the Telefónica, S.A. Restricted Share Plan as a special remuneration instrument in individual situations and the possible participation of the management board members in the employee participation program of Telefónica, S.A.

3.2. Management board remuneration structure

The majority of the total target remuneration (base salary + fringe benefits + pension commitments + target value of the one-year variable remuneration + grant value of long-term incentive components) of the management board is made up of performance-based components as a general rule, in order to strengthen the pay-for-performance aspect of the remuneration system.

The remuneration structure is oriented towards a sustainable and long-term development of the company. To make sure this is the case, the supervisory board ensures that the grant value of the long-term incentive components always exceeds the target amount of the one-year variable remuneration. In addition, the supervisory board ensures that the fixed and variable remuneration components which are linked to the success of Telefónica Deutschland significantly outweigh those components that are linked to the success of Telefónica, S.A. At the same time, Telefónica Deutschland has a strategic interest in belonging to an economically successful group of companies and benefiting from the associated synergies, and therefore up to 30 % of the one-year variable remuneration (Bonus I) may depend on the economic success of Telefónica, S.A. In order to meet this strategic interest, including in the long term, the supervisory board may approve the participation of the management board members in the Telefónica, S.A. long-term share-based remuneration programs (Telefónica, S.A. Performance Share Plan (Bonus III), Restricted Share Plan, employee participation program).

Base salary accounts for between 31 % and 43 % of the target direct remuneration (base salary + target amount of one-year variable remuneration + grant value of the long-term incentive components). The one-year variable remuneration (Bonus I) makes up between 28 % and 31 % of the target direct remuneration, whereas the long-term incentive components account for between 29 % and 38 %.

The fringe benefits regularly amount to around 9 % of the base salary. The share of pension commitments regularly amounts to 20 % of base salary.

The total target remuneration (target direct remuneration + fringe benefits + pension commitments) of the management board members regularly consists of 36 % to 53 % fixed remuneration (base salary + fringe benefits + pension commitments), of 23 % to 29 % one-year variable remuneration (Bonus I), and of 24 % to 35 % long-term incentive components.

In the event the Restricted Share Plan is granted as a special remuneration instrument or a management board member participates in the employee participation program, the portion of the components with long-term incentive effects may be higher.

The portions of the individual elements may differ slightly for members of the management board who work for Telefónica Deutschland as part of an International Assignment, are recruited from abroad or receive an entry bonus as part of their initial appointment.

3.3. Maximum remuneration

In order to ensure that the remuneration for the management board members is appropriate, it is capped in two aspects. Firstly, there are caps for the variable components of the remuneration. Secondly, the supervisory board has set a maximum remuneration for the management board members, which comprises all fixed and variable remuneration components pursuant to section 87a (1) sentence 2 no. 1 AktG. The maximum remuneration for the Chief Executive Officer is EUR 4,900,000.00 and EUR 2,300,000.00 for each of the other management board members. The possible capping of the amount exceeding the maximum remuneration is applied upon payment of Bonus II or Bonus III granted in the relevant financial year and due for payment.

4. The individual elements of the remuneration system in detail

4.1. Fixed remuneration components

4.1.1. Base salary

The annual base salary is a fixed remuneration paid out in twelve equal monthly amounts.

4.1.2. Fringe benefits

In addition, management board members receive fringe benefits. These primarily include a company car, life insurance and accident insurance, travel allowances, reimbursement of social security payments, compensation for committee work and other allowances. Furthermore, management board members are provided with D&O insurance with a deductible of 10 % of the damage for up to 150 % of the annual base salary of the individual management board member. In order to attract qualified candidates for the management board, the supervisory board may complement the remuneration of first-time management board members in an appropriate and market-compliant manner with an entry bonus (sign-on bonus), e.g. to compensate for forfeited remuneration from previous employment or service contracts.

4.1.3. Pension commitments

The management board members participating in the company pension plan receive an annual financial contribution in the amount of a fixed percent of the annual base salary stipulated in their employment agreement that is invested in a reinsured support fund (*rückgedeckte Unterstützungskasse*). The members of the management board each year may select the benefit package that best covers their respective needs for surviving dependants' insurance, disability insurance and old age pensions from among several options. There is no additional guaranteed interest beyond the statutory guaranteed interest. They may select between a one-off payout, a payout in three or six instalments or a pension annuity. Management board members receive their old-age pension or payout as soon as they have reached retirement age and have left the company.

In individual cases, management board members can also receive a pension commitment in accordance with the benefit scheme B of the Essener Verband, as well as a fixed payment as a contribution to the so-called BOLO (*Beitragsorientierte Leistungsordnung des Essener Verbande*s: defined contribution plan of the Essener Verband, an industrial pension association).

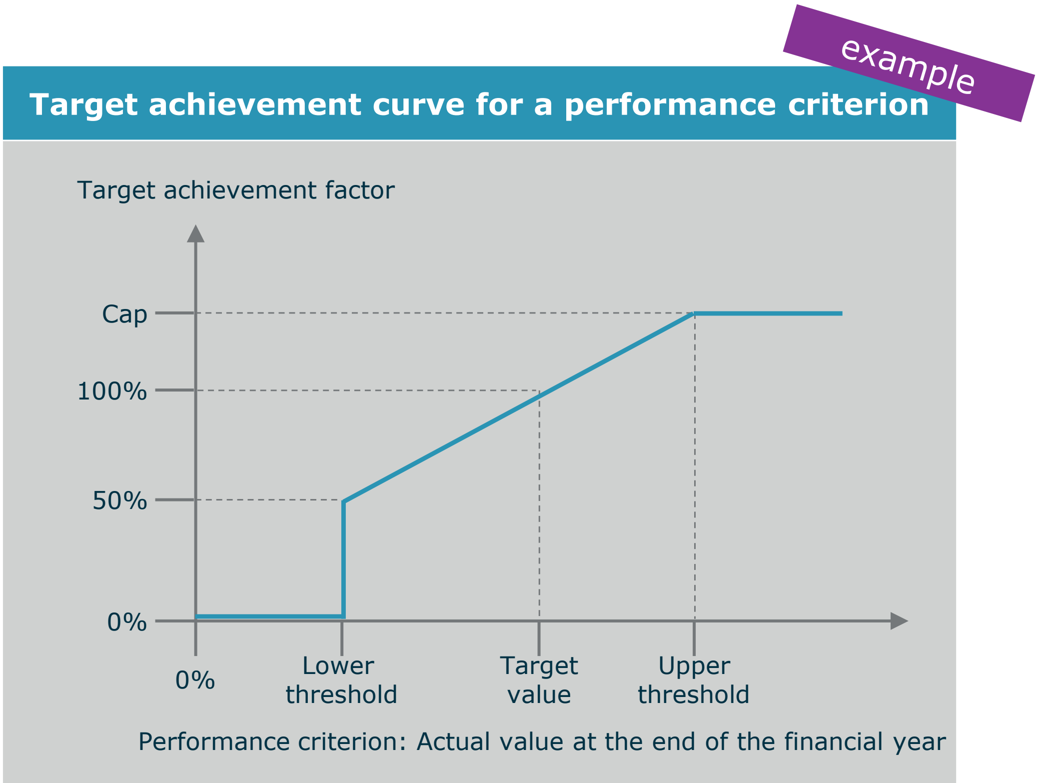
For management board members who work for Telefónica Deutschland within the scope of an international assignment, the pension commitment of the home country company may be continued in deviation from the above. In this case, Telefónica Deutschland covers the pension expenses incurred for the duration of the appointment.

4.2. Variable remuneration components

For the one-year variable remuneration (Bonus I) and two components with long-term incentive effect (Telefónica Deutschland Performance Share Plan (Bonus II), Telefónica, S.A. Performance Share Plan (Bonus III)), different performance criteria may be used to measure success. In addition to internal and external financial performance criteria, these also include non-financial performance criteria (ESG-criteria – Environmental, Social, Governance). The following table shows the performance criteria and their relation to the corporate strategy as well as their significance for the company's long-term development:

Performance criteria for variable remuneration components (Bonus I, Bonus II, Bonus III)			
Performance criteria			Description / Relation to corporate strategy
Financial	Internal	Revenues	The development of revenues is an essential basis for measuring company success. They represent the total value of the company's operating activities and are therefore a key indicator of the success of sales of our products and services in the market. In order to provide an appropriate incentive to achieve our revenue targets, they can be integrated in the variable remuneration.
Financial	Internal	OIBDA	The profitability of the operating business is measured by OIBDA (Operating Income before Depreciation and Amortization). OIBDA provides a comprehensive view of the income and expense structure. In order to reflect not only absolute growth but also the strategic relevance of profitable growth, OIBDA can be implemented in the variable remuneration.
Financial	Internal	Operating Cash Flow	Operating Cash Flow is calculated as the difference between OIBDA and CapEx (Capital Expenditure). Operating Cash Flow provides information about the amount of cash generated by our operational business. In order to incentivize the generation of cash from our business operations, Operating Cash Flow can be integrated into the variable remuneration.
Financial	Internal	Free Cash Flow (FCF)	Free Cash Flow (FCF) provides information on the change in the available financial resources, which enable us, for example, to make growth investments to ensure the expansion of the network as well as product development, to make dividend payments or to service financial liabilities. Due to this significance, the integration of FCF into the variable remuneration can ensure an adequate incentive to achieve operational targets.
Financial	Internal	Return on Capital Employed (ROCE)	Return on Capital Employed (ROCE) is calculated as the quotient of EBIT (Earnings before Interest and Taxes) and the capital employed. ROCE provides information about how efficient and profitable our investments are. In order to incentivize the efficient use of the capital made available, ROCE can be integrated into the variable remuneration.
Financial	External	Relative Total Shareholder Return (rTSR)	The relative Total Shareholder Return (rTSR) is an external performance criterion geared to the capital market and therefore promotes the alignment of interests. In addition, the consideration of the share price development compared to a peer group provides an incentive to remain competitive in the long-term and to outperform the peer group.
Non-financial		ESG-criteria	The use of non-financial performance criteria in the variable remuneration ensures that, in addition to a positive financial development, an otherwise sustainable development is incentivized. Non-financial targets can directly and indirectly relate to customer satisfaction and social and ecological factors (e.g. Net Promoter Score (NPS), NPS difference to the best competitor, reputation of the company in society measured by means of the RepTrak Pulse, reduction of greenhouse gas emissions, gender diversity as measured by the proportion of women in management positions)

Target achievement curves are defined for the different performance criteria to determine target achievement. These curves assign a target achievement factor to the value actually achieved for a performance criterion. The following illustration shows an example for a target achievement curve:

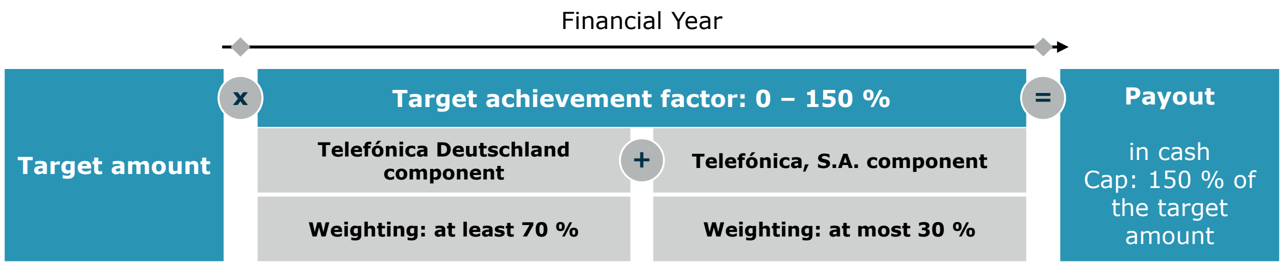


If the actual value of the performance criterion falls below a lower threshold at the end of the financial year or at the end of the performance period, the target achievement factor is 0 %. Once the lower threshold is reached, the target achievement factor is typically 50 %. Once the target value is reached, the factor is 100 %. If the actual value reaches or exceeds the upper threshold, the factor assumes a maximum value (cap). If the actual value falls between the lower threshold, target value and upper threshold, the target achievement factor is determined by linear interpolation or by a similar structure of the curve.

The supervisory board determines the actual value of the performance criterion after prior consultation of the Remuneration Committee at the end of the financial year or performance period. Besides information from audited results, internal assessment rules may apply. In particular, any risks in connection with the target setting and the target achievement may be taken into account. Furthermore, adjustments for special effects due to extraordinary events may be made to reflect the long-term quality of the results and associated risks.

4.2.1. One-year variable remuneration (Bonus I)

Bonus I is an annually granted cash bonus that incentivizes business success in the respective financial year. The target amount equals 100 % of annual base salary for the Chief Executive Officer and 65 % of annual base salary for ordinary management board members. The payout amount is calculated at the end of the financial year as the product of the target amount and a target achievement factor, which can have a minimum value of 0 % and a maximum value of 150 % depending on the annual performance. The members of the management board can therefore receive a maximum payment of 150 % of the respective target amount (cap). In addition, the supervisory board reserves the right to limit the Bonus I in case of extraordinary developments at its reasonable discretion. The payment is made in cash after the end of the respective financial year.



The target achievement factor consists of two components: The first component is based on the annual success of Telefónica Deutschland (Telefónica Deutschland component) and has a weighting of at least 70 %. The second component is based on the annual success of Telefónica, S.A. (Telefónica, S.A. component) and has a weighting of at most 30 %. The supervisory board determines the actual weighting on an annual basis.

Telefónica Deutschland component: In addition to financial performance criteria, the target achievement factor for the Telefónica Deutschland component is also measured with non-financial performance criteria (ESG-targets; Environmental, Social, Governance). The supervisory board selects the performance criteria relevant for a financial year from the possible performance criteria as described above. Moreover, the supervisory board determines their weighting, target values, and target achievement curves on an annual basis. The target values are derived from the strategic planning.

When the supervisory board determines the individual target achievement curves, it may decide that the target achievement factors of the different performance criteria shall be increased to predefined values if all target values are met or exceeded to create a stronger incentive for the simultaneous fulfillment of the target values of all performance criteria relevant for a respective year. The sum of the weighted target achievement factors of the selected performance criteria result in the Telefónica Deutschland component.

Telefónica, S.A. component: The supervisory board determines the target achievement factor for the Telefónica, S.A. component with due discretion. Such discretion shall be guided by the business performance of Telefónica, S.A. in the respective year.

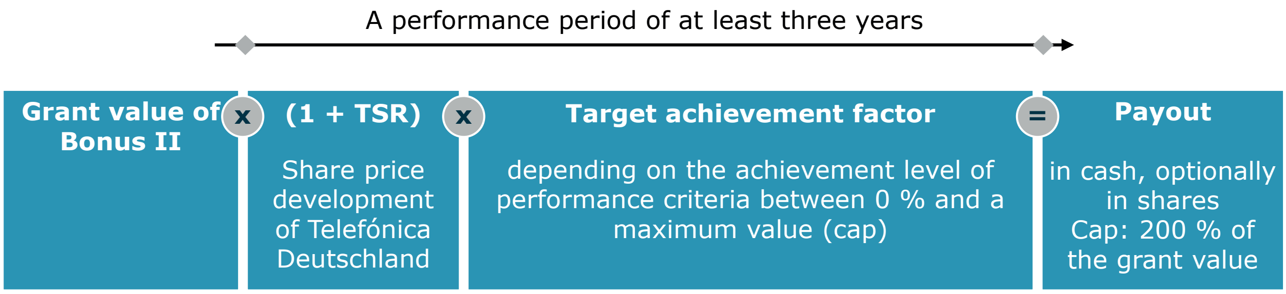
4.2.2. Components with long-term incentive effects

The long-term incentive components are share-based remuneration programs. The first two components are the Telefónica Deutschland Performance Share Plan (Bonus II) and the Telefónica, S.A. Performance Share Plan (Bonus III). The total grant value for the two components per year equals 120 % of annual base salary for the Chief Executive Officer, and 66 % for ordinary management board members. The supervisory board allocates the grant values at the beginning of each calendar year with the proviso that the Chief Executive Officer may receive a maximum of 40 % and ordinary management board members may receive a maximum of 33 % of the annual base salary as grant value for the Telefónica, S.A. Performance Share Plan (Bonus III).

Further components with a long-term incentive effect are the Telefónica, S.A. Restricted Share Plan as a special remuneration instrument in individual situations and the possible participation of the management board members in the Telefónica, S.A. employee participation program.

4.2.2.1. Telefónica Deutschland Performance Share Plan (Bonus II)

Bonus II is a Telefónica Deutschland Performance Share Plan. The respective allocation cycle begins on 1 January of the financial year and has a performance period of at least three years. At the beginning of the performance period, the supervisory board determines the grant value as a percentage of the annual base salary of the management board member. The payout after the end of the performance period equals the product of the respective grant value, a TSR-factor (1+TSR), which reflects the development of the Telefónica Deutschland share price (Total Shareholder Return (TSR)) over the plan term, and a target achievement factor, which can range between 0 % and a maximum value (cap), depending on the achievement level of Telefónica Deutschland's performance criteria. The payout is limited to 200 % of the grant value (cap) and is made in cash. However, the supervisory board reserves the right to alternatively settle the claims in shares.



TSR-Factor (1+TSR): Total shareholder return ("TSR") means the percentage change in the share price over the plan term assuming that (gross) dividends paid per share during the plan term were directly reinvested. For the calculation of the TSR-factor (1+TSR), the Total Return Index at the end of the performance period (defined as the average of daily Total Return Index values over the last 30 trading days of the performance period) is divided by the Total Return Index at the beginning of the performance period (defined as the average of daily Total Return Index values over the last 30 trading days prior to the beginning of the performance period). The calculation may be adjusted to reflect changes in the share capital (if any) during the performance period.

The consideration of the share price development in the performance measurement aligns the interests of the management board directly with those of the shareholders, and creates an incentive for a sustainable and long-term increase in the company's value.

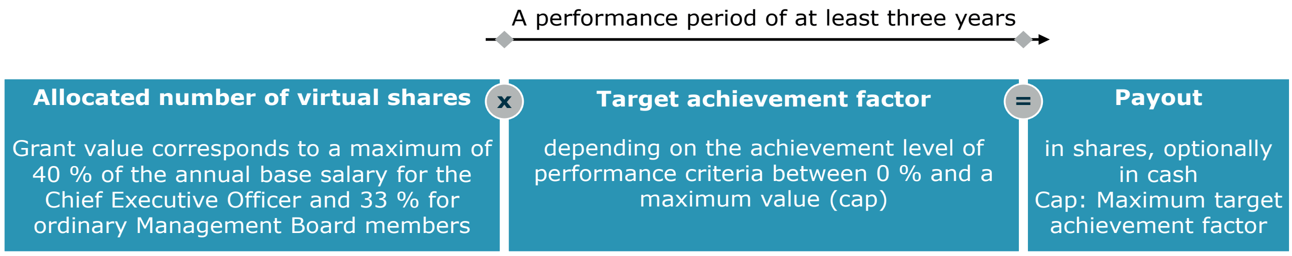
Target achievement factor: The achievement level of performance criteria determines the target achievement factor. The supervisory board determines the performance criteria relevant for a specific performance period, their weighting and target achievement curves before or at the beginning of the performance period. The supervisory board selects the performance criteria from the possible performance criteria as described above. In case of internal financial performance criteria and ESG-criteria, the target values are either annual targets that are set annually by the supervisory board, or targets that relate to the end of the respective performance period. The target values are derived from the strategic planning. In the case of annual targets, the target achievement factor of a performance criterion for the entire performance period is typically calculated as the weighted sum of annual target achievement factors.

In case of the external financial performance criterion (rTSR), the target achievement factor depends on the development of Telefónica Deutschland's total shareholder return compared to the total shareholder return of a peer group during the performance period. The peer group is determined before or at the beginning of the performance period.

The sum of the weighted target achievement factors of the selected performance criteria results in the target achievement factor for the allocation cycle.

4.2.2.2. Telefónica, S.A. Performance Share Plan (Bonus III)

Bonus III is a Performance Share Plan of Telefónica, S.A. The respective allocation cycle begins on 1 January of the financial year and has a performance period of at least three years. Based on the grant value approved by the supervisory board, the management board members receive a certain number of Telefónica, S.A. virtual performance shares at the beginning of the performance period. For the calculation of the number of performance shares, the grant value is divided by the weighted average Telefónica, S.A. share price of the last 30 trading days prior to the start of the respective performance period. The number of shares actually earned after the end of the plan term equals the product of the number of allocated performance shares and a target achievement factor, which can range between 0 % and a maximum value (cap) depending on the achievement level of performance criteria. A holding period of at least 12 months for at least 25 % of the earned shares applies for plan participants who are also members of the Executive Committee of Telefónica, S.A. However, in addition to a settlement in shares, the supervisory board reserves the right to settle the claims in cash.



Target achievement factor: The achievement level of performance criteria determines the target achievement factor. The performance criteria relevant for a performance period, their weighting and target achievement curves are determined before or at the beginning of the performance period. The performance criteria are selected from the possible performance criteria as described above. In case of internal financial performance criteria and ESG-criteria, the target values are either annual targets that are set annually or targets that relate to the end of the respective performance period. The target values are derived from the strategic planning. In the case of annual targets, the target achievement factor of the performance criterion for the entire performance period is typically calculated as the weighted sum of annual target achievement factors.

In case of the external financial performance criterion (rTSR), the target achievement factor depends on the development of the total shareholder return compared to the total shareholder return of a peer group during the performance period. The peer group is determined before or at the beginning of the performance period.

The sum of the weighted target achievement factors of the selected performance criteria results in the target achievement factor for the allocation cycle.

4.2.2.3. Telefónica, S.A. Restricted Share Plan

In order to attract or retain qualified candidates for the management board, the supervisory board has the option to grant them an amount under the Restricted Share Plan on a one-time or recurring basis, for example, to compensate them for forfeited compensation claims at their previous employer. Therefore, this plan serves as a special compensation instrument.

The plan term according to the Restricted Share Plan is between one and five years. At the beginning of the term, the participant receives a certain number of virtual shares at an amount, which corresponds to a certain proportion of the participant's annual base salary. At the end of the term, the participant receives a certain percentage of the initially allocated virtual shares in the form of real shares. The percentage corresponds to the proportion of the active employment period in the total plan term and is therefore between 0 % and 100 %, i.e. the plan participant can only be entitled to a maximum of 100 % of the initially allocated virtual shares in the form of real shares (cap). The allocation of real shares requires an active employment relationship for at least 12 months during the plan term and an active employment relationship at the time of payment. The supervisory board may determine further requirements. In addition to a settlement in shares, the supervisory board reserves the right to settle the claims in cash.

4.2.2.4. Telefónica, S.A. employee participation program

The management board members are eligible to participate in the Telefónica, S.A. employee participation program. A tranche has a term of at least one year. First, the participant invests a certain amount (maximum: EUR 2,500.00) over a period of at least 6 months to acquire shares of Telefónica, S.A. at market price. Subsequently, a holding period of at least 6 months applies. After the end of the holding period, the participant receives a maximum of one Telefónica, S.A. share free of charge for each share purchased. However, in addition to a settlement in shares, the supervisory board reserves the right to settle the claims in cash.

5. Malus & Clawback provision

The service contracts of the members of the management board will comprise so-called Malus and Clawback provisions. In case of particularly serious violations of material duties of care, material duties under the service contract or other material principles of conduct (in particular the Business Principles applicable to the company), the supervisory board may, at its reasonable discretion, reduce the outstanding variable remuneration partially or completely to zero (Malus). Furthermore, in these cases, the supervisory board may at its reasonable discretion partially or fully reclaim any variable remuneration already paid out (Clawback). In addition, the management board member will have to repay variable remuneration already paid out in part or in full if and to the extent that it becomes apparent after payment that the relevant financial data underlying the calculation of the payout amount was incorrect and therefore needs be corrected, and that on the basis of the corrected financial data a lower or no payment of the variable remuneration would have been owed. The Malus and Clawback provisions in the service contracts of the members of the management board will regulate further details that are necessary or advisable for the legally effective design of these provisions, such as the possibility of agreeing on repayment plans to avoid undue hardship.

6. Legal provisions concerning remuneration

6.1. Terms of management board contracts

When appointing members of the management board and determining the duration of their contracts, the supervisory board adheres to the provisions of section 84 AktG and the recommendations of the German Corporate Governance Code. The service contracts for management board members are limited to the respective term of the appointment period. The appointment period is usually between three and five years.

6.2. Premature termination of management board membership without good cause

In case of premature termination of the service contract without good cause, the contracts contain a clause stipulating that the agreed payments to the management board member in question should not exceed two years of remuneration and in no case the remuneration for the remaining period of the contract (severance cap).

6.3. Premature termination of management board membership for good cause

If a contract is ended prematurely for a reason attributable to the management board member, that member has no claim to any payments.

6.4. Change of control

In the event of a change of control, management board members are entitled to extraordinarily terminate their service contract after giving three months' notice to the end of any given month and to resign from their position as a member of the management board. This right of extraordinary termination may only be exercised in the six months following the date of change of control. In this case the company pays the management board member a one-off severance payment in the amount of one year's base salary and the most recently paid one-year variable remuneration (Bonus I). This payment must not, however, exceed the remuneration that would have been payable up to the end of the contract.

6.5. Joining or leaving the management board during the financial year

If a member of the management board joins or leaves the management board during the financial year, the base salary, the target amount of the one-year variable remuneration as well as the grant value of the long-term incentive components is to be reduced pro rata temporis to correspond to the duration of the employment contract in the respective financial year.

6.6. Death grant

If a member of the management board dies during the term of the service contract, the widow/widower or the registered civil partner and the children, if they are under 27 years of age, may claim as joint and several creditors the continued payment of the full amount of the annual base salary for the month of death and the six subsequent months. These payments, however, may in any case not continue beyond the end of the contract term.

6.7. Post-contractual non-compete clause

Management board members agree to a post-contractual non-compete clause. The management board member will receive compensation of 50 % of the most recent contractual payments for the duration of the non-compete clause. The company may waive compliance with the non-compete clause at any time. If a management board member receives a severance payment in connection with the termination of the employment agreement, it will be offset against the compensation.

7. Temporary deviations from the remuneration system

If statutory requirements are met, in particular in special and exceptional circumstances (e.g. in case of a serious financial or economic crisis), the supervisory board is entitled to temporarily derogate from the remuneration system pursuant to section 87a (2) sentence 2 AktG, if this is in the interest of the long-term wellbeing of the company. Unfavorable market developments are not considered to be special and exceptional circumstances that would permit a derogation from the remuneration system.

Even if there is a derogation from the remuneration system, the remuneration must still remain oriented to the long-term and sustainable development of the company and must be aligned with the success of the company and the performance of the management board member.

Any derogation from the remuneration system under the aforementioned circumstances is only permitted after careful analysis of these exceptional circumstances and the options for responding to them, and taking into account the preliminary treatment by the Remuneration Committee stipulated by a corresponding resolution of the supervisory board that has identified the exceptional circumstances and the necessity of a derogation.

A temporary derogation from the remuneration system is possible for the following components: performance parameters relating to the one-year variable remuneration and to the long-term incentive components and the bandwidths of possible target achievement for the individual components of variable remuneration. If existing remuneration components have been adjusted but the incentive effects of management board remuneration cannot be adequately restored, the supervisory board is also entitled, under the same conditions, to temporarily grant additional remuneration components, or to replace individual remuneration components with other components.

B. Information on item 7 of the agenda: system for remuneration for members of the supervisory board

Information according to sections 113 para. 3 sentence 2, 87a para 1 sentence 2 German Stock Corporation Act (AktG)

The members of the supervisory board of Telefónica Deutschland Holding AG receive a fixed annual remuneration (fixed remuneration) as suggested in G.18 sentence 1 German Corporate Governance Code (GCGC). The design of the supervisory board remuneration as a mere fixed remuneration strengthens the independence of the supervisory board and provides a counterweight to the structure of the management board remuneration.

The fixed annual remuneration for an ordinary member is EUR 30,000.00. In accordance with the recommendation in G.17 GCGC and due to the increased time commitment for these roles, the chairman of the supervisory board and his deputy receive an increased fixed remuneration:

The chairman of the supervisory board receives EUR 100,000.00 and the deputy chairman of the supervisory board EUR 50,000.00 per year.

Fixed Remuneration

Ordinary member of the supervisory board	Deputy chairman of the supervisory board	Chairman of the supervisory board
EUR 30,000.00 p.a.	EUR 50,000.00 p.a.	EUR 100,000.00 p.a.

The chairmen and the members of the committees of the supervisory board which meet regularly (audit committee and remuneration committee) receive separate committee remuneration in accordance with G.17 GCGC and due to the regular additional time required.

In addition to the fixed remuneration of an ordinary member, the chairman of the audit committee receives EUR 45,000.00 per year, unless the chairman of the supervisory board holds the chairmanship of the audit committee.

The members of the audit committee receive an additional EUR 10,000.00 per year. The ordinary members of the remuneration committee receive additionally EUR 7,500.00 per year, the chairman of the remuneration committee an additional EUR 13,000.00 per year.

Committee Remuneration

Chairman of the audit committee	Ordinary members of the audit committee	Chairman of the remuneration committee	Ordinary members of the remuneration committee
+ EUR 45,000.00 p.a.	+ EUR 10,000.00 p.a.	+ EUR 13,000.00 p.a.	+ EUR 7,500.00 p.a.

Members of the supervisory board who have not served as member or chairperson of the supervisory board or a committee for the entire financial year shall receive a pro rata remuneration.

The remuneration is payable four weeks after the end of the financial year.

Each member of the supervisory board shall be reimbursed for expenses incurred in the performance of his or her duties. In addition, the members of the supervisory board will be reimbursed for any VAT if applicable.

In addition, the Company has concluded a pecuniary loss liability insurance policy (D&O insurance) for the benefit of the members of the supervisory board which covers the statutory liability arising from the supervisory board activity.

Pursuant to section 113 para. 3 of the German Stock Corporation Act (AktG), a resolution shall be passed on the remuneration of the members of the supervisory board, including the underlying remuneration system, at least every four years. The corresponding resolution may also confirm the current remuneration. If the annual general meeting does not approve the remuneration system, a revised remuneration system must be submitted at the latest at the subsequent annual general meeting.

The boards regularly assess whether the remuneration of the members of the supervisory board is appropriate, taking into account their tasks and the situation of the company. A horizontal market comparison is used to assess adequacy. The boards also consult independent external experts.

The rules stipulated in the by-laws for the management board and the supervisory board for dealing with conflicts of interest are adhered to in the procedures for setting up, implementing and reviewing the remuneration system.

The remuneration of the members of the supervisory board is regulated exclusively in section 20 of the Company‘s articles of association, which reads as follows:

§ 20 Supervisory Board Remuneration

(1) Beginning with the financial year 2020 each member of the Supervisory Board receives a fixed annual remuneration in the amount of EUR 30,000.00, the Chairman of the Supervisory Board receives EUR 100,000.00 and his deputy EUR 50,000.00.

(2) For their activities in the committees of the Supervisory Board, the Supervisory Board members receive additionally per financial year:

(a) the Chairman of the Audit Committee EUR 45,000.00 unless the Chairman of the Supervisory Board chairs the Audit Committee; each other member of the Audit Committee EUR 10,000.00;

(b) the Chairman of the Remuneration Committee EUR 13,000.00, each other member of the Remuneration Committee EUR 7,500.00.

(3) The remuneration pursuant to paragraphs 1 and 2 shall be due for payment four weeks after the end of the financial year.

(4) Supervisory Board members who belong to the Supervisory Board or any committee or who chair the Supervisory Board or any committee for only part of the financial year shall receive in each case the remuneration pro rata temporis.

(5) Each member of the Supervisory Board shall be reimbursed for expenses incurred in the performance of his or her duties. In addition, the members of the Supervisory Board shall be reimbursed for any value added tax payable on the reimbursement of expenses or on the remuneration of the Supervisory Board to the extent that they are entitled to invoice the Company for value added tax separately and exercise this right.

(6) The Company may conclude a pecuniary loss liability insurance policy (D&O insurance) for the benefit of the members of the Supervisory Board at normal and reasonable market conditions, which covers the statutory liability arising from the Supervisory Board activity.

C. Report of the management board to the annual general meeting on item 9 of the agenda pursuant to sections 203 para. 2, 186 para. 4 sentence 2 AktG

With regard to item 9 of the agenda, the management board has submitted a written report on the reasons for the exclusion of subscription rights pursuant to sections 203 para. 2 sentence 2, 186 para. 4 sentence 2 German Stock Corporation Act (AktG). The report has the following content:

The Authorized Capital 2021/I shall replace the Authorized Capital 2016/I, which expires prior to the annual general meeting on 20 May 2021.

The German market for providers of mobile network and fixed-line services for private and business customers is competitive and the Company is on a sustainably profitable growth trajectory. In order to maintain the Company's required room for action to react flexibly at short notice – within the scope of the authorization – to future financing requirements and to be able to strengthen equity at short notice if necessary, the resolution of the annual general meeting is requested.

In principle, shareholders are entitled to subscription rights when Authorized Capital 2021/I is utilized. To enable the management to make optimum and flexible use of this possibility in the interests of the Company, the resolution is to provide authorization to exclude subscription rights for various purposes specified in the proposed resolution:

The proposed authorization firstly provides that the management is to be authorized to exclude shareholders' subscription rights if fractions arise as a result of the subscription ratio. The exclusion of subscription rights with regard to any fractional amounts serves only to enable the authorization to be utilized by round amounts. The new shares excluded from shareholders' subscription rights as fractional shares will be utilized in the best possible way for the Company. As any exclusion of subscription rights is limited to fractional amounts, any potential dilution effect is low.

Secondly, the management is to be authorized to exclude subscription rights if the capital is to be increased against contributions in kind. This option to exclude subscription rights is intended to enable the management board, with the approval of the supervisory board, to acquire companies or interests in companies or other assets in return for shares in the Company in appropriate cases or to merge with other companies, in particular by way of a merger. This is intended to enable the Company to respond quickly and flexibly on national and international markets to advantageous offers or other opportunities to acquire companies or interests in companies operating in related business areas. Not infrequently, the need arises to provide shares rather than money as consideration. The management will only use the option of a capital increase against contributions in kind excluding subscription rights from Authorized Capital 2021/I for acquisitions if the value of the newly issued shares and the value of the consideration, i.e. the company or shareholding to be acquired or other assets, are in reasonable proportion.

Thirdly, the management board shall be able, with the approval of the supervisory board, to exclude subscription rights in the case of cash capital increases if the shares are issued at an amount which is not significantly lower than the stock market price. This possibility provided for by section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) is intended to enable the Company to take advantage of market opportunities quickly and flexibly and to cover a capital requirement at short notice. The exclusion of subscription rights enables a placement close to the stock market price, so that the usual discount for subscription issues is not applicable. In the case of such exclusion of subscription rights close to the stock market price, the cash capital increase may not exceed 10 % of the existing share capital at the time of its exercise. This takes account of shareholders' needs for protection against dilution of their shareholdings. Each shareholder may purchase shares on the market at approximately the same conditions in order to maintain his shareholding quota.

Fourthly, it should be possible to exclude subscription rights to the extent necessary to grant holders of conversion and option rights subscription rights to new shares, provided the terms and conditions of the respective conversion and option rights so provide. To facilitate placement on the capital market, such conversion and option rights have anti-dilution protection which provides that the holders may be granted subscription rights to new shares in subsequent share issues, as is the case for shareholders. They are thus placed in the same position as if they were already shareholders. In order to provide the conversion and option rights with such protection against dilution, the subscription rights of shareholders to these shares must be excluded. This serves to facilitate the placement of the conversion and option rights and thus the interests of the shareholders in an optimum financial structure for the Company.

The other companies referred to in section 186 para. 5 sentence 1 of the German Stock Corporation Act (AktG) are companies operating pursuant to section 53 para. 1 sentence 1 or section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG).

There are currently no specific acquisition projects for which the possibility of excluding subscription rights under Authorized Capital 2021/I is to be used.

The management board will carefully examine in each individual case whether it will make use of the authorization to increase capital excluding shareholders' subscription rights. It will only do so if, in the opinion of the management board and the supervisory board, it is in the interests of the Company and thus of its shareholders. The management board will report to the annual general meeting on each utilization of the authorization.

By its very nature, the issue amount cannot be fixed at present as there is no specific intention to use the shares. The determination of the respective issue amount is therefore by law incumbent on the management board with the approval of the supervisory board.

When considering all of the aforementioned circumstances, the management board - as well as the supervisory board of Telefónica Deutschland Holding AG - considers the exclusion of subscription rights in the aforementioned cases to be objectively justified and appropriate, also taking into account the dilution effect to the detriment of the shareholders.

III. Further Information

Total number of share and voting rights

The share capital of Telefónica Deutschland Holding AG amounts to EUR 2,974,554,993.00 and is divided into 2,974,554,993 non-par value shares. The total number of shares and voting rights amounts to 2,974,554,993. The Company does not hold any own shares. These figures relate to the date of publication of this invitation in the Federal Gazette (*Bundesanzeiger*).

Notes on the conduct of the virtual annual general meeting

Against the background of the ongoing Covid-19-pandemic the management board has decided, with the approval of the supervisory board, to hold the annual general meeting of the Company on 20 May 2021 as a virtual general meeting in accordance with section 1 para. 1, 2 of the Act on Measures in Corporate, Cooperative, Association, Foundation and Condominium Law to Combat the Effects of the COVID 19 Pandemic of 27 March 2020, as last amended by the Act on the Further Shortening of the Residual Debt Exemption Procedure and the Adjustment of Pandemic-Related Provisions in the Law on Companies, Cooperatives, Associations and Foundations, and in the Law on Tenancy and Leases of 22 December 2020 (hereinafter the "COVID-19 Act") without the physical presence of the shareholders and their proxies. The validity of the COVID-19 Act was extended to 31 December 2021 by the Ordinance on the Extension of Measures in the Law of Companies, Cooperatives, Associations, Foundations and Condominiums to Combat the Effects of the COVID-19 Pandemic of 20 October 2020.

The shareholders and their proxies (with the exception of the proxies nominated by the Company) may therefore not physically attend the annual general meeting. The entire annual general meeting will be transmitted for registered shareholders of Telefónica Deutschland Holding AG or their proxies in accordance with the following provisions on 20 May 2021 from 10:00 hours (CEST) live on the internet in the password protected **internet service for the annual general meeting** on the Company's website at

www.telefonica.de/agm

in picture and sound. The voting rights of shareholders or their proxies are exercised exclusively by way of electronic vote (absentee voting (*Briefwahl)*) or by granting power of attorney to the proxies nominated by the Company.

Via the password protected **internet service for the annual general meeting**, shareholders (and their proxies, if applicable) can in accordance with the following provisions, among other things, register for the annual general meeting, exercise their voting rights by electronic absentee voting, grant powers of attorney to third parties and issue powers of attorney and instructions to the proxies nominated by the Company, submit questions or declare objections to be recorded in the minutes. To use the password protected **internet service for the annual general meeting** an access authorization is required. Details can be found below in the section "Conditions for attending the virtual annual general meeting and for exercising voting rights".

Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights

Only those shareholders who have registered for attendance in due time and who are registered in the shareholders' register for the registered shares on the date of the registration deadline, i.e. 24:00 hours (CEST) on 13 May 2021 are entitled to exercise their rights as shareholders.

The registration must be received by Telefónica Deutschland Holding AG at the following address no later than 24:00 hours (CEST) on 13 May 2021:

Telefónica Deutschland Holding AG
c/o Better Orange IR & HV AG
Haidelweg 48
81241 Munich
Germany

or e-mail: telefonica@better-orange.de

or electronically by using the password protected **internet service for the annual general meeting** at

www.telefonica.de/agm

To facilitate the registration, a registration form will be sent to the shareholders entered in the Company's share register no later than 0:00 hours (CEST) on 29 April 2021 together with the invitation to the virtual annual general meeting. This registration form is also available for download at www.telefonica.de/agm.

For using the password protected **internet service for the annual general meeting** at www.telefonica.de/agm an access authorization is required. Shareholders who are entered in the Company's share register no later than 29 April 2021, 0:00 hours (CEST), will be sent their individual access data (access code and access password) together with the invitation to the virtual annual general meeting. However, for shareholders registered in the share register after this date, the options otherwise available for registration for the virtual annual general meeting (to above mentioned postal address or email address) until the registration deadline on 13 May 2021, 24:00 hours (CEST), will be available. The individual access data for the password protected internet service for the annual general meeting will be sent to these shareholders after receipt of the registration by the Company.

In relation to the Company, only those persons are considered shareholders who are registered as such in the share register. Accordingly, the right to participate in the virtual annual general meeting and the number of voting rights to which a shareholder is entitled in the virtual annual general meeting is determined by the status of the share register on the day of the virtual annual general meeting. For technical reasons, however, on the day of the virtual annual general meeting and in the last six days prior to the day of the virtual annual general meeting, i.e. from 14 May 2021, 0:00 hours (CEST), up to and including 20 May 2021, 24:00 hours (CEST), no deletions and entries will be made in the share register (so-called registration stop). Therefore, the registration status of the share register on the day of the virtual annual general meeting corresponds to the status at the end of the registration deadline day, 13 May 2021, 24:00 hours (CEST), (technical record date). Trading in shares is not limited, the shares are not blocked due to the re-registration stop.

Intermediaries, shareholders' associations and voting right advisors, as well as persons treated as such pursuant to section 135 para. 8 German Stock Corporation Act (AktG), may only exercise the voting rights for shares as the holders of which they are entered in the share register but which do not belong to them, on the basis of an authorization. Further details are regulated by section 135 German Stock Corporation Act (AktG).

Video and audio transmission of the annual general meeting on the internet

Shareholders of Telefónica Deutschland Holding AG, who are registered for attendance, and their proxies can watch the entire annual general meeting on 20 May 2021 from 10:00 hours (CEST) live on the internet in sound and picture in the password protected **internet service for the annual general meeting** on the Company's website at

www.telefonica.de/agm

To activate the internet transmission via the password protected internet service for the annual general meeting, timely registration for the virtual annual general meeting in accordance with the provisions set out above in the section "Conditions for attending the virtual annual general meeting and for exercising voting rights" is required. With regard to the individual access details (access code and access password) required to use the password protected internet service for the annual general meeting, see above section "Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights".

Voting by electronic absentee voting

Shareholders may also cast their votes by electronic absentee voting by means of electronic communication, even without attending the virtual annual general meeting, using the password-protected **internet service for the annual general meeting** on the Company's website at www.telefonica.de/agm in accordance with the procedures provided for this purpose. This option of electronic absentee voting is available until the start of voting at the virtual annual general meeting on 20 May 2021. The same applies to any revocation or amendment of the voting by electronic absentee vote. In order to exercise voting rights, timely registration for the virtual annual general meeting is required in accordance with the provisions set out above in the section "Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights".

If an individual vote is taken on an agenda item without this having been communicated in advance of the virtual annual general meeting, an absentee vote cast on this agenda item shall also be deemed to be an absentee voting for each item of the individual vote.

Authorized intermediaries, shareholders' associations, voting right advisors or other persons treated as such pursuant to section 135 para. 8 German Stock Corporation Act (AktG) may also use electronic absentee voting.

Procedure for casting votes by proxy

Shareholders are entitled to vote by proxy, e.g. by an intermediary, a shareholders' association, or by any other person of their choice. Even in the case of a proxy, the shareholder or proxy must ensure registration in due time by the shareholder or proxy in accordance with the provisions set out above in the section "Conditions for attending the virtual annual general meeting and for exercising voting rights".

The grant and revocation of the proxy authorization as well as the evidence of proxy authorization to the Company must be provided in text form (section 126b German Civil Code (BGB)), if neither an intermediary nor a shareholders' association, a voting rights advisor or any other person treated as such in accordance with section 135 para. 8 German Stock Corporation Act (AktG) are authorized to act as proxies.

The proxy can be declared to the person to be authorized or to the Company. A form that can be used to grant proxy will be sent to the shareholders together with the invitation to the virtual annual general meeting. Corresponding forms are also available for download at www.telefonica.de/agm.

The granting of a proxy by declaration to the Company or its revocation and the evidence of proxy authorization to the Company can be sent to the following postal address or email address:

Telefónica Deutschland Holding AG
c/o Better Orange IR & HV AG
Haidelweg 48
81241 Munich
Germany

E-mail: telefonica@better-orange.de

In addition, granting, revocation and evidence of proxy may also be effected by using the password protected **internet service for the annual general meeting** at www.telefonica.de/agm. With regard to the individual access data (access code and access password) required to use the password protected internet service for the annual general meeting, please refer to the section above "Conditions for participating in the virtual annual general meeting without physical presence and for exercising voting rights".

Intermediaries, shareholders' associations, voting right advisors and other persons treated as such in accordance with section 135 para. 8 German Stock Corporation Act (AktG) may provide for different regulations regarding their own authorization. Section 135 of the German Stock Corporation Act (AktG) provides, among other things, that the proxy shall be granted to a specific proxy and shall be verifiably recorded by that proxy. The proxy statement must also be complete and may only contain declarations associated with the exercise of voting rights. Shareholders who wish to authorize an intermediary, a shareholders' association, a voting right advisor or any other person treated as such in accordance with section 135 para. 8 German Stock Corporation Act (AktG) are therefore asked to consult with the person to be authorized regarding the procedure for granting the proxy and the possibly required form of the proxy in good time.

Also authorized third parties cannot physically attend at the annual general meeting. However, they may exercise their voting rights by electronic absentee voting or by (sub) authorizing the proxies nominated by the Company. The use of the password-protected internet service by the authorized representative requires that the authorized representative receives the corresponding access data.

We offer our shareholders or their proxies the opportunity to authorize a proxy nominated by the Company who is bound to voting instructions to exercise their voting rights. In this case, too, timely registration in accordance with the above section “Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights” is required. A form that can be used for granting a proxy authorization and issuing instructions to the proxies nominated by the Company will be sent to the shareholders together with the invitation to the virtual general meeting. It is also available for download on the Company’s website at www.telefonica.de/agm.

Authorizations and instructions to the proxies nominated by the Company may be sent by post or e-mail to the mentioned above address or e-mail address by no later than **19 May 2021**, **24:00 hours (CEST)**, (time of receipt).

In addition proxy authorizations and instructions to the proxies nominated by the Company can be issued electronically by using the password protected **internet service for the annual general meeting** at www.telefonica.de/agm. This possibility is available until the beginning of the voting procedure in the virtual annual general meeting on 20 May 2021. With regard to the individual access data (access code and access password) required to use the password protected internet service for the annual general meeting, please refer to the section above headed “Conditions for participating in the virtual annual general meeting without physical presence and for exercising voting rights”.

For the revocation of the proxy authorization granted to proxies nominated by the Company or the amendment of instructions, the aforementioned information on the possibilities for transmission and the deadlines shall apply mutatis mutandis.

If the proxies nominated by the Company are authorized, they must in any case be given instructions for exercising the voting right. The proxies nominated by the Company are obliged to vote in accordance with the instructions given to them. The proxies nominated by the Company will not accept any authorizations to file objections to resolutions of the annual general meeting, to exercise the right to ask questions or to make motions.

If an individual vote is taken on an agenda item without this having been communicated in advance of the virtual annual general meeting, an instruction on this agenda item as a whole shall also be deemed to be a corresponding instruction for each item of the individual vote.

Objection against a resolution of the general meeting

Shareholders who have exercised their voting rights by way of electronic absentee vote or by granting a proxy have the opportunity, during the virtual annual general meeting on 20 May 2021 until its closing by the chairman of the general meeting, to declare an objection against a resolution of the annual general meeting to be recorded by the notary public in accordance with section 1 para. 2 sentence 1 no. 4 COVID-19 Act in conjunction with section 245 no. 1 German Stock Corporation Act (AktG) via the password protected **internet service for the annual general meeting** at the internet address www.telefonica.de/agm. With regard to the individual access details (access code and access password) required to use the password protected internet service for the annual general meeting, please refer to the section above “Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights”.

Information on the rights of shareholders pursuant to sections 122 para. 2, 126 para. 1, 127, 131 para. 1 German Stock Corporation Act (AktG) in conjunction with section 1 COVID-19 Act

Motions for additions to the agenda in accordance with section 122 para. 2 German Stock Corporation Act (AktG)

Pursuant to section 122 para. 2 German Stock Corporation Act (AktG), shareholders whose combined shares amount to at least one twentieth of the share capital or a nominal value of EUR 500,000.00 may request that additional items are added to the agenda and published. An explanation or a proposed resolution has to be enclosed with each additional agenda item. Pursuant to section 122 para. 2 German Stock Corporation Act (AktG) in conjunction with section 122 para. 1 sentence 3 German Stock Corporation Act (AktG) the petitioners must prove that they have been owners of the shares at least 90 days before submitting the request and that they will remain the owners of the shares until the management board has made a decision about the motion. When calculating this 90-day period there are certain set-off options to which reference is specifically made pursuant to section 70 German Stock Corporation Act (AktG). In calculating this period the provisions of section 121 para. 7 German Stock Corporation Act (AktG) have to be observed.

Such requests must be made in written form (section 126 of the German Civil Code (BGB)) to the management board and must be received by the Company no later than 30 days prior to the virtual annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 hours (CEST) on 19 April 2021. Please send such requests to the following address:

Telefónica Deutschland Holding AG
– Management Board –
Georg-Brauchle-Ring 50
80992 Munich
Germany

Countermotions and election proposals by shareholders in accordance with sections 126 para. 1, 127 German Stock Corporation Act (AktG) in connection with section 1 para. 2 sentence 3 COVID-19 Act

Pursuant to section 126 para. 1 German Stock Corporation Act (AktG), any shareholder of the Company may submit a countermotion to a proposal made by the management board and/or the supervisory board relating to a specific item on the agenda. Countermotions must be made available on the website subject to the provisions of section 126 paras. 1 and 2 German Stock Corporation Act (AktG), provided they have been received by the Company at the address provided below no later than 14 days prior to the virtual annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 hours (CEST) on 5 May 2021.

Moreover, any shareholder may submit an election proposal for the election of the auditor or the election of members of the supervisory board subject to the provisions of section 127 German Stock Corporation Act (AktG). Election proposals must be made available on the website subject to the provisions of sections 127 and 126 para. 1 and para. 2 German Stock Corporation Act (AktG), provided they have been received by the Company at the address provided below no later than 14 days prior to the virtual annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 hours (CEST) on 5 May 2021.

Countermotions or election proposals from shareholders must be sent to the following address:

Telefónica Deutschland Holding AG
Investor Relations
Georg-Brauchle-Ring 50
80992 Munich
Germany

or e-mail: hauptversammlung@telefonica.com

No counter motions or election proposals otherwise addressed will be considered.

Motions and election proposals from shareholders that are required to be made available will be made available on the Company's website at www.telefonica.de/agm, including the name of the shareholder and any reasons given, provided that the other requirements for an obligation to publish in accordance with sections 126 and 127 German Stock Corporation Act (AktG) are met. Any comments by the management board on any countermotion and election proposals will also be published at the aforementioned internet address.

Motions or election proposals from shareholders that are required to be made available pursuant to sections 126, 127 German Stock Corporation Act (AktG) in connection with section 1 para. 2 sentence 3 COVID-19 Act shall be deemed to have been made at the annual general meeting if the shareholder making the motion or submitting the election proposal is duly authorized and has registered for the annual general meeting.

Right for shareholders to ask questions in accordance with section 1 para. 2 sentence 1 no. 3, sentence 2 **COVID-19 Act**

In accordance with section 1 para. 2 sentence 1 no. 3, sentence 2 COVID-19 Act, shareholders are given the right to ask questions by way of electronic communication. The right to ask questions is only available to shareholders who have registered for the virtual annual general meeting in accordance with the provisions set out above under section "Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights" in due time.

Contrary to section 131 German Stock Corporation Act (AktG) the management board decides how to answer the question at its due and free discretion. The management board may also summarize answers.

Questions must be submitted by **no later than 18 May 2021, 24:00 hours (CEST)** (time of receipt) by using the password protected **internet service for the annual general meeting** on the Company's website at www.telefonica.de/agm

With regard to the individual access details (access code and access password) required to use the password protected internet service for the annual general meeting, please refer to the section above "Conditions for attending the virtual annual general meeting without physical presence and for exercising voting rights".

No questions can be asked during the virtual annual general meeting.

Further explanations and information on the Company's website

All information required to be published pursuant to section 124a German Stock Corporation Act (AktG) as well as further explanations of the rights of shareholders pursuant to sections 122 para. 2, 126 para. 1, 127, 131 para. 1 German Stock Corporation Act (AktG) in conjunction with section 1 COVID-19 Act is available at the Company's website at www.telefonica.de/agm. After the end of the virtual annual general meeting, the voting results will also be published there.

Information on data protection for shareholders

Your personal data will be processed for the purposes of keeping the share register as prescribed by the German Stock Corporation Act, for communication with you as a shareholder and for holding our virtual general meeting. In addition, your data will be used for related purposes and to fulfil other legal obligations (e.g. obligations to provide evidence or to keep records). Further information on data protection is available at

www.telefonica.de/agm

Munich, April 2021

Telefónica Deutschland Holding AG

The Management Board

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