

EMPLOYMENT PRACTICES

Fair remuneration and *recognition of work*

At Telefónica we believe in fair remuneration for work, because this is how we attract, retain and motivate our professionals. Total remuneration, the personalised system, rewards for targets and social benefits are concepts that are aimed at satisfying the needs of our employees.



The aim of the Telefónica remuneration policy is to attract, retain and motivate professionals so that, together, we can face the challenges of transformation in the sector. Telefónica's commitment to employees is laid out in our Business Principles, guaranteeing fair compensation that is appropriate to the labour market in which we develop our operations.

TOTAL REMUNERATION

At Telefónica we have defined the concept of 'total remuneration' to refer to the different forms of benefits that employees can obtain in the Company as a whole.

Within this concept we include what we could call traditional remuneration (basic salary, variable remuneration, sales incentives, long-term benefits and equity programmes) and benefits (pension plans, holidays, life and health insurance, a company car, etc.). However it also involves other forms of compensation, such as career opportunities and development (training programmes in Universitas, the corporate university, the online A+ training platform, the possibility of international mobility and recognition programmes such as RecognizeD, launched as a pilot in the United Kingdom). The Company culture of social programmes is included as well, through the Fundación Telefónica, teleworking and the occupational health and welfare campaigns.

The **Employee Share Plans** play an important role in the concept of total remuneration. Receiving shares aligns the interests of the employees with those of the shareholders and, at the same time, generates a feeling of greater belonging and more direct involvement in the results of the Entity. Our long-term incentives in shares philosophy seeks to reach all Group employees, on a world scale and at all levels of the organisation. For this purpose, different plans based on Telefónica shares have been designed and implemented, and are available in note 19 of the [Financial Report](#).

Receiving Company shares aligns the employees' interests with those of the shareholders and generates a feeling of belonging that is beneficial for the Entity

The highest governing body of the Telefónica Remuneration Policy is the Appointments, Remuneration and Corporate Governance Committee. Its functions are centred on the remuneration policies of the Chairman, the CEO, the Board of Directors and senior management of the Company. The Telefónica Executive Committee approves the specific budgetary item for the realisation of the salary review process, and then the Global Remuneration team is in charge of ensuring the proper resolution of local budgets. To do this, this team uses the macroeconomic information from every country (inflation, growth and unemployment), information from salary surveys (it uses a single provider for all countries, plus specific information in every market depending on their special characteristics), analysis of internal equity (controlling the payments to those jobs that are comparable in terms of the role and responsibilities, through salary structures that help analyse and maintain equitable salary intervals) and the moment of business in every operation.

All the remunerations and compensations of the Board of Directors are published in the [Remuneration Report](#).

PERSONALISED REMUNERATION SYSTEM

At Telefónica, as in previous years, employees have a personalised remuneration system available to them. It allows them to voluntarily allocate part of their fixed cash remuneration to contracting a series of products and/or services, and therefore adapt their remuneration to their personal and family needs at all times.

The tax benefits of this model are clear:

- ⇒ Contracting products has a more beneficial tax treatment for income tax than receiving money via the payroll.
- ⇒ Furthermore, buying through the Company involves a considerable saving in contracting services and products. Given the economies of scale, when contracting on a community and/or Group level, the reduction in price is considerable.
- ⇒ Flexibility, in adapting to the personal and family needs of the employee at any one time.
- ⇒ Convenience in carrying out the selection of providers, negotiation and management through the Company.

REWARDS FOR TARGETS

At Telefónica we reward the achievement of targets (both business and individual). To take a specific example, in our biggest market, Spain, the total percentage of professionals receiving variable remuneration is 43.1%, corresponding to 39.3% of men and 52.3% of women. This variable remuneration is calculated annually as a percentage of the fixed salary, a percentage linked to achieving the Telefónica Group targets and a percentage dependent on achieving the targets of the region and/or country.

Moreover, the Company has a Global Remuneration Policy which aims to achieve homogeneity and alignment in remuneration practices throughout the entire Group. In turn, the local remuneration teams ensure the alignment of normal practices in every area of activity. We have single providers for all markets and the launch of retention programmes has a global implementation. At Telefónica, all the variable remuneration systems include at least one CSR aim for the employees: customer satisfaction.



SOCIAL BENEFITS

The social benefits for Telefónica employees vary from country to country and, essentially, include the following:

- ⇒ **Health, life and accident insurance.** The fund is paid into to cover the risk of death or total incapacity for any work. Double will be paid out in the event of death or total disability for all work as a consequence of an accident.
- ⇒ **Pension plan** with contributions made by the employee and the Company.
- ⇒ **Child and school aid** that varies depending on the age of the children.
- ⇒ **Total incapacity for usual employment.** In our agreement we include a plan for financial compensation in all cases of time off from the Company due to the declaration of total permanent incapacity for usual employment.
- ⇒ **Teleworking.** Our employees have the possibility of working from home once a week, with prior authorisation.
- ⇒ **Advances** of up to three months.
- ⇒ **Holiday plans and study plans** for children of employees, with the possibility of accessing help for children that study in a different locality to the family home, according to the requirements established for this.
- ⇒ **Maternity supplements** during maternity leave: if applicable, the Company supplements maternity allowance up to 100% of the net salary of the employee.
- ⇒ **Social welfare.** A specialised personal support service aimed at employees that may need this help, and which can have an impact on their work, family and social environment.
- ⇒ **Intensive shorter days in summer and yearly for part of the team, voluntary part-time, unpaid leave.**
- ⇒ **Flexibility in exercising various authorisations.**

The aim of the Global Remuneration Policy at Telefónica is to achieve homogeneity in remuneration practices across the entire Group

At Telefónica **we reward the achievement of targets** (both business and individual)

Telefónica minimum salary vs minimum salary in every country

Number of times

