

Telefónica Deutschland
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Remuneration Report

Reporting Year 2021



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2021 Remuneration Report

I. Introduction

The remuneration report describes the structure and design of the remuneration of the management board and supervisory board of Telefónica Deutschland Holding AG and discloses the remuneration awarded and due to each current and previous member of the management board and supervisory board in the 2021 financial year on an individualised basis. The report complies with the regulatory requirements of section 162 of the German Stock Corporation Act (AktG) and takes the recommendations of the German Corporate Governance Code (GCGC), as amended on 16 December 2019, into account.

The remuneration report and the attached opinion on the audit of the remuneration report by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft in accordance with the requirements of section 162 (3) AktG are available on the [website of Telefónica Deutschland](#).

Rounding of numerical values in the remuneration report can mean that the addition of individual values does not exactly correspond to the total stated and that percentages do not reflect exactly the values to which they relate.

II. Review of the 2021 financial year

There were no changes in the composition of the management board in financial year 2021. Markus Haas was reappointed as a member of the company's management board and as the new Chief Executive Officer (CEO) of Telefónica Deutschland Holding AG with effect from 1 January 2017 until the end of 31 December 2019. At its meeting on 18 February 2019, the supervisory board resolved the further appointment of Markus Haas as CEO with effect from 1 January 2020 until the end of 31 December 2022. Valentina Daiber, Nicole Gerhardt, Alfons Lösing, Wolfgang Metze, and Markus Rolle were appointed as management board members of the company with effect from 1 August 2017 until the end of 31 July 2020. At its meeting on 30 September 2019, the supervisory board resolved their further appointment with effect from 1 August 2020 until the end of 31 July 2023. New service contracts were concluded for the duration of their respective new appointment. In addition, Mallik Rao (Yelamate Mallikarjuna Rao) was newly appointed as a member of the management board of the company with effect from 15 October 2019 until the end of 31 December 2022. His service contract was concluded for the duration of the appointment.

Against the backdrop of the entry into force of the statute to implement the second shareholder rights directive into national law (ARUG II) and following the preliminary referral by the remuneration committee, the supervisory board carried out a review of the management board's remuneration system in the 2021 financial year. As a result of this review, various remuneration-related components were added or revised. In particular, a maximum remuneration for the management board members was set in accordance with section 87a (1) sentence 2 Note 1 AktG. In addition, the malus regulations already provided for in the remuneration system were specified and supplemented by clawback regulations for the entire amount of the variable remuneration. Moreover, if statutory requirements are met, in particular in special and exceptional circumstances, the supervisory board is entitled to temporarily derogate from the remuneration system pursuant to section 87a (2) sentence 2 AktG, if the derogation is in the interest of the long-term wellbeing of the company.

The adjusted remuneration system of the management board was resolved by the supervisory board on 22 February 2021 and submitted to the Annual General Meeting of Telefónica Deutschland on 20 May 2021 for approval in the context of the shareholders' consultative vote (say on pay). The resolution was approved with 84.72 % of the votes. The remuneration system applies to all management board service contracts that are to

be newly concluded or renewed as of the date of the Annual General Meeting. The remuneration system as adjusted and published in accordance with the legal requirements is therefore not yet applicable to the management board service contracts valid for the 2021 financial year, all of which were concluded before the approval of the remuneration system by the Annual General Meeting.

The supervisory board's remuneration system was also approved at the 2021 Annual General Meeting with 99.94 % of the votes. The detailed presentation of the remuneration systems of the management board and the supervisory board are available on the [Telefónica Deutschland website](#).

III. Remuneration of the management board in financial year 2021

1. Remuneration Governance

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 the 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. In the year under review, the supervisory board considered all TecDAX 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 holiday periods into account.

2. Overview of the remuneration system applicable in the 2021 financial year

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 in particular the Telefónica Deutschland Performance Share Plan (Bonus II) and the Telefónica, S.A. Performance Share Plan (Bonus III). In addition, there are further components with a long-term incentive effect, namely 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.

The following table provides an overview of the regularly applied remuneration components and contract components:

| Component | | Description |
|---------------------------------|--|--|
| Fixed remuneration component | Fixed salary | <ul style="list-style-type: none"> Fixed remuneration paid out in twelve equal monthly amounts |
| | Fringe benefits | <ul style="list-style-type: none"> Mainly company car, insurance, D&O insurance with deductible, and other allowances |
| | Pension commitment | <ul style="list-style-type: none"> Financing contribution in the amount of a percentage of the annual fixed salary stipulated in the management board service contract, which is invested in a reinsured support fund |
| Variable remuneration component | One-year variable remuneration (Bonus I) | <ul style="list-style-type: none"> One-year cash bonus 70 % Telefónica Deutschland component <ul style="list-style-type: none"> 80 % financial performance criteria <ul style="list-style-type: none"> 30 % Revenues 30 % OIBDA (Operating Income Before Depreciation and Amortization) 20 % Free Cash Flow (FCF) 20 % non-financial performance criteria (Environmental, Social and Governance targets) <ul style="list-style-type: none"> 8 % Net Promoter Score (NPS) 5 % Reduction of CO₂ emissions 3 % NPS Gap 3 % Reputation of the company (RepTrak Pulse) 1 % Proportion of women in management positions 30 % Telefónica, S.A. component Cap: 150 % of the target bonus |
| | Telefónica Deutschland Performance Share Plan (Bonus II) | <ul style="list-style-type: none"> (Virtual) Performance Share Plan Three-year performance period Performance criteria <ul style="list-style-type: none"> 50 % Relative Total Shareholder Return (rTSR) 40 % Free Cash Flow (FCF) 10 % Neutralized CO₂ emissions Target achievement: 0 % to 100 % (Cap) Cap: 200 % of the grant value Payout in cash |
| | Telefónica, S.A. Performance Share Plan (Bonus III) | <ul style="list-style-type: none"> Performance Share Plan Three-year performance period Performance criteria <ul style="list-style-type: none"> 50 % Relative Total Shareholder Return (rTSR) of Telefónica, S.A. 40 % Free Cash Flow (FCF) of Telefónica, S.A. 10 % Neutralized CO₂ emissions of Telefónica, S.A. Target achievement: 0 % to 100 % (Cap) Payout in shares by Telefónica, S.A. |

The supervisory board ensured that the grant value of the long-term incentive components always exceeds the target amount of the one-year variable remuneration in order to have the target remuneration structure oriented towards a sustainable and long-term development of the company. In addition, the supervisory board ensured 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, 30 % of the one-year variable remuneration (Bonus I) in financial year 2021 depended 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). In financial year 2021, the Telefónica, S.A. Performance Share Plan (Bonus III) accounted for 33 % of the grant value of the long-term incentive components for the CEO and 50 % for the ordinary management board members.

3. Remuneration components in financial year 2021 in detail

3.1. Fixed remuneration components

3.1.1. Fixed salary

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

3.1.2. Fringe benefits

In addition, the 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.

No other fringe benefits were granted to the management board members in financial year 2021.

In addition, the company has taken out D&O insurance (directors & officers liability insurance) for the benefit of the management board members with a deductible of 10 % of the loss up to one and a half times the annual fixed salary of the respective management board member.

3.1.3. Pension commitment

All management board members in office in the year under review, with the exception of Alfons Lösing, participate in the company's pension plan. This is a support fund commitment. They receive an annual financing contribution in the amount of 20 % of the annual fixed salary, which is invested in a reinsured support fund. Each year, the management board members may choose between six specified pension packages, which hedge the risks of surviving dependants' pension, work disability, and old-age to varying degrees. Besides the statutory guaranteed interest, there is no further interest guarantee. The management board members have the option to choose between a one-off payment, payment in three or six instalments or the drawing of a pension. The old-age pension or payout is received by the management board members when they have reached the age limit and left the services of the company.

Alfons Lösing was given a direct commitment in accordance with the pension guidelines of the Essener Verband (EV), which consists of two elements. As a first element, Alfons Lösing receives a fixed financing amount for the so-called BOLO (contribution-based benefit ordinance of the EV). There is a specific retirement age. Furthermore, surviving dependants' and work disability pension benefits are approved. As a second element, Alfons Lösing receives a pension from the company in accordance with the benefit ordinance B of the EV. Commitments are also provided for retirement, surviving dependants' and work disability pensions. The benefits from the commitments which are not covered by the pension insurance association are insured within the scope of a reinsurance policy.

Service cost and the present value of the existing pension obligations recognized by the company as at 31 December 2021 pursuant to IAS 19 are shown individually for each management board member in the following table:

Pension commitment in k€

IAS 19

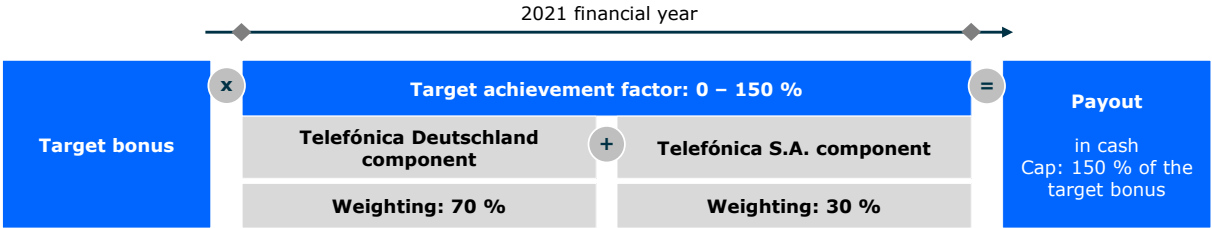
| | Service cost | | Present value of pension obligations | |
|------------------|--------------|------|--------------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Markus Haas | 158 | 143 | 2,060 | 2,156 |
| Valentina Daiber | 67 | 61 | 539 | 508 |
| Nicole Gerhardt | 66 | 61 | 255 | 212 |
| Alfons Lösing | 80 | 75 | 2,970 | 3,130 |
| Wolfgang Metze | 89 | 82 | 302 | 261 |
| Mallik Rao | 1 | 2 | 104 | 3 |
| Markus Rolle | 88 | 82 | 1,026 | 1,073 |

3.2. Variable remuneration components

3.2.1. One-year variable remuneration (Bonus I)

The one-year variable remuneration (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 bonus (cap). 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 70 %. The second component is based on the annual success of Telefónica, S.A. (Telefónica, S.A. component) and has a weighting of 30 %.



a) Telefónica Deutschland component

The key performance indicators (KPIs) relevant for measuring the Telefónica Deutschland component, their weighting, target values and target achievement curves are determined annually by the supervisory board. The target values are derived from the strategic planning. Both financial and non-financial performance criteria (ESG criteria; Environmental, Social, Governance) have been defined for financial year 2021. The financial performance criteria are weighted at 80 % overall, and the non-financial performance criteria are weighted at 20 %.

The following overview presents the performance criteria applied in financial year 2021 for Bonus I as well as their weighting and description:

| Category | Performance criterion | Weighting | Description / Relation to corporate strategy |
|---------------|---|-----------|--|
| Financial | Revenues | 30 % | The development of revenues is a key indicator of the success of the company. Revenues depict the total value of the operational activity and are therefore a key indicator of the success of our products' and services' sales on the market. To appropriately incentivize the achievement of our revenue growth targets, the supervisory board has integrated this into Bonus I for the 2021 financial year. |
| | OIBDA | 30 % | The profitability of the operating activities is measured by OIBDA (Operating Income before Depreciation and Amortization). OIBDA provides a comprehensive view of the income and expense structure. To reflect both absolute growth and the strategic relevance of profitable growth, OIBDA has been implemented in Bonus I. |
| | Free Cash Flow (FCF) | 20 % | Free cash flow (FCF) provides information about the change in available financial funds, which provide enablement to make investments in growth, to promote the expansion of the network as well as product development, to pay dividends or service debt, for example. |
| Non-financial | Net Promoter Score (NPS) | 8 % | The NPS is used as a metric for customer experience. It measures the customer's propensity to recommend a service or product to others. |
| | Reduction of CO ₂ emissions | 5 % | CO ₂ emissions include both direct emissions from fuels usage and the leakage of refrigerant gases produced in assets directly controlled by the company, as well as indirect emissions from energy consumption (mainly electricity). |
| | NPS Gap | 3 % | The NPS Gap measures the difference between the NPS of Telefónica Deutschland and the NPS of the top competitor. |
| | Reputation of the company (RepTrak Pulse) | 3 % | The reputation of the company in society community is measured using RepTrak Pulse. Reputation is measured on the basis of the emotional attachment of stakeholders to Telefónica Deutschland using a specially developed algorithm that takes into account perceptions of esteem, admiration, trust, and overall feeling. |
| | Proportion of women in management positions | 1 % | As part of ongoing efforts to promote diversity at Telefónica Deutschland, the proportion of women in management positions will be further increased. This proportion is determined on the basis of senior management appointments at Telefónica Deutschland and so serves as an objective measure of gender equality. |

If the actual value of a performance criterion falls below a minimum threshold, the target achievement factor for this performance criterion equals 0 %. If the minimum threshold is met, the factor is 50 %. If the target value is reached 100 %, the factor is 100 %. If the target value is exceeded, the factor increases up to an upper limit, which for financial year 2021 is 125 %. Intermediate values of target achievement are not linearly interpolated, but calculated according to a target achievement curve set by the supervisory board. The target achievement curve assigns a target achievement factor to the value actually achieved for each performance criterion. In order to create an increased incentive for the simultaneous achievement of all annual targets, the supervisory board has specified for financial year 2021 that those factors below 120 % will be increased to 120 % if all targets are achieved. The OIBDA target achievement factor will be increased from 125 % to 140 %, if the OIBDA target achievement is at least 105 % and the target achievement for revenues is at least 98 %.

The sum of the weighted target achievement factors determines the Telefónica Deutschland component, which equals 113.8 % in financial year 2021, and is based on the following target achievements for the individual performance criteria:

| Category | Performance criterion | Weighting | Target achievement |
|---------------|---|-----------|--------------------|
| Financial | Revenues | 30 % | 102 % |
| | OIBDA | 30 % | 103 % |
| | Free Cash Flow (FCF) | 20 % | 108 % |
| Non-financial | Net Promoter Score (NPS) | 8 % | 100 % |
| | Reduction of CO ₂ emissions | 5 % | 25 % ¹ |
| | NPS Gap | 3 % | 53 % |
| | Reputation of the company (RepTrak Pulse) | 3 % | 106 % |
| | Proportion of women in management positions | 1 % | 90 % |

(1) Since we aim at a reduction of emissions, the target achievement curve is in reverse order: Target achievements above 100 % imply underperformance, target achievements below 100 % imply overperformance.

b) Telefónica, S.A. component

The supervisory board determines the target achievement factor for Telefónica, S.A. component with due discretion. Such discretion shall be guided by the business performance of Telefónica, S.A. in the respective year. For financial year 2021, the supervisory board has set a target achievement factor of 110.0 %.

c) Summary: Target achievement factor and payout amounts for Bonus I 2021

Based on the target achievement factor for the Telefónica Deutschland component and the target achievement factor for the Telefónica, S.A. component, the target achievement factor for Bonus I for financial year 2021 equals 112.6 %, which results in the following payout amounts:

| | Target amount in € | Target achievement factor in % | Payout amount in € |
|------------------|-----------------------|-----------------------------------|-----------------------|
| Markus Haas | 770,000 | 112.6 | 867,020 |
| Valentina Daiber | 212,550 | | 239,331 |
| Nicole Gerhardt | 208,650 | | 234,940 |
| Alfons Lösing | 278,200 | | 313,253 |
| Wolfgang Metze | 283,400 | | 319,108 |
| Mallik Rao | 234,000 | | 263,484 |
| Markus Rolle | 278,200 | | 313,253 |

3.2.2. Components with a long-term incentive effect

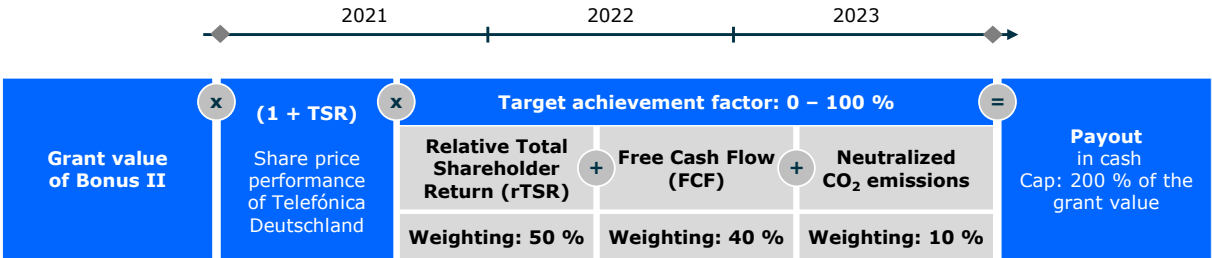
The long-term incentive components are share-based remuneration programs. The first two components are the Telefónica Deutschland Performance Share Plan (Bonus II) and the Telefónica, S.A. Performance Share Plan (Bonus III). The total grant value for the two components per year equals 120 % of annual base salary for the Chief Executive Officer, and 66 % for ordinary management board members.

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.

In addition, the Deferred Bonus Plan is reported on in the following. The Deferred Bonus Plan was replaced by the Telefónica Deutschland Performance Share Plan (Bonus II) for all new grants from financial year 2020 onwards, and is therefore a retrospective Bonus II. The performance period of the tranche of this plan allocated in financial year 2018 ended in financial year 2021.

a) Telefónica Deutschland Performance Share Plan (Bonus II): Tranche 2021 – 2023

Bonus II is a Virtual Performance Share Plan of Telefónica Deutschland. The 2021 - 2023 tranche of Bonus II was allocated to the management board members for 1 January 2021. Since the performance period will not end until the end of 2023, this variable remuneration component can only be fully reported about in the remuneration report of the 2023 financial year. The grant value is 80 % of the base salary for the Chief Executive Officer and 33 % of the base salary for ordinary management board members. The payout after the end of the three-year performance period equals the product of the respective grant value, a TSR-factor (1+TSR), which reflects the development of the share price (total shareholder return (TSR)) of Telefónica Deutschland over the plan term, and a target achievement factor, which can range between 0 % and 100 % (cap). The payout is limited to 200 % of the grant value (cap) and is made in cash.



aa. 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 total shareholder return 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.

ab. Target achievement factor

The achievement level of performance criteria determines the target achievement factor. For the 2021 - 2023 tranche of Bonus II, the supervisory board selected the relative total shareholder return (rTSR) of Telefónica Deutschland compared to a peer group (50 % weighting), the free cash flow (FCF) of Telefónica Deutschland (40 % weighting), and the neutralized CO₂ emissions of Telefónica Deutschland (10 % weighting) as performance

criteria. The sum of the weighted target achievement factors of the selected performance criteria results in the target achievement factor for the 2021 - 2023 tranche.

Relative Total Shareholder Return (rTSR)

Relative TSR is an external, capital market-oriented performance criterion and as such promotes the alignment of interests with shareholders. The supervisory board has selected the companies that were included in the STOXX Europe 600 Telecommunications Index (with the exception of Telefónica, S.A.) as at 1 January 2021 as the peer group for measuring the relative TSR for the 2021 - 2023 tranche. Comparing the stock return with other telecommunications companies creates an incentive to compete in the long term and outperform the peer group.

The target achievement factor for relative TSR depends on how the total shareholder return of Telefónica Deutschland Holding AG has developed over the three-year period compared to the total shareholder return of the peer group. If the total shareholder return of Telefónica Deutschland Holding AG is below the median of the peer group, the TSR target achievement factor is 0 %. If the median is reached, the TSR target achievement factor is 30 %. The TSR target achievement factor is increased by linear interpolation to up to 100 % if the total shareholder return of Telefónica Deutschland Holding AG reaches the upper quartile of the peer group.

Free Cash Flow (FCF)

In view of the importance of free cash flow (FCF) for Telefónica Deutschland, the supervisory board has also incorporated this key figure as a performance criterion in the 2021 - 2023 tranche of Bonus II.

The FCF target achievement factor corresponds to the average of annual target achievement factors, which can be between 0 % and 100 % depending on the achievement of annual targets for free cash flow (annual budget figures). If the annual target is met by less than 90 %, the annual target achievement factor is 0 %. If 90 % is met, the annual target achievement factor is 50 %. The annual target achievement factor will increase to up to 100 % if the annual target has been met 100 % or exceeded. The respective annual targets for free cash flow are set by the supervisory board at the start of the respective financial year.

Neutralized CO₂ emissions

Telefónica Deutschland is committed to sustainability and consequently to the reduction of greenhouse gas emissions in its business decisions. The goal of net zero emissions, i.e. full offsetting of generated emissions through the purchase of CO₂ certificates and related projects to absorb CO₂ from the atmosphere, is expected to be achieved by 2025 according to the responsible business plan. The supervisory board has implemented this strategic goal of CO₂ neutralization in Bonus II as an additional performance criterion, which creates extra incentives for target achievement. CO₂ emissions include both direct emissions (e.g. fuel consumption) and indirect emissions (e.g. electricity consumption).

The target achievement factor for neutralized CO₂ emissions depends on how much emissions were actually neutralized at the end of the performance period: If the target value for 2023 is met by less than 90 %, the target achievement factor is 0 %. If 90 % is met, the target achievement factor is 50 %. The target achievement factor will increase to up to 100 % using linear interpolation if the target value has been met 100 % or exceeded. The supervisory board has stipulated the additional condition that gross emissions in year 2023 must be reduced by a certain percentage compared to 2015.

b) Deferred Bonus Plan (retrospective Bonus II): Tranche 2018 – 2021

The Deferred Bonus Plan is a deferred bonus that was last granted in 2019. According to this plan, the management board members were promised an amount equal to a percentage of their annual fixed salary as a bonus. The management board member has the right to the full amount (cap) after a period of three years if the total shareholder return of Telefónica Deutschland Holding AG is in the upper quartile of the total shareholder return of the peer group comprising the DAX 30 companies. Each management board member has the right to receive 50 % of this amount if the total shareholder return of Telefónica Deutschland Holding AG corresponds to the median of the peer group. If the total shareholder return of Telefónica Deutschland Holding AG lies between the median and the upper quartile, the amount paid out is calculated on a linear proportional basis. If the total shareholder return of Telefónica Deutschland Holding AG lies below the median, there is no entitlement to payments.

Participation in the Deferred Bonus Plan, which was granted in 2018 and whose performance period ended in the 2021 financial year (tranche 2018 – 2021), did not result in any payout since the total shareholder return of Telefónica Deutschland Holding AG was below the median of the peer group.

Bonus II tranche 2018 - 2021

| | Grant value in € | Target achievement factor in % | Payout amount in € |
|--------------------------------------|---------------------|-----------------------------------|-----------------------|
| Markus Haas | 560,000 | 0.0 | 0 |
| Valentina Daiber | 99,000 | | 0 |
| Nicole Gerhardt | 99,000 | | 0 |
| Alfons Lösing | 132,000 | | 0 |
| Wolfgang Metze | 132,000 | | 0 |
| Mallik Rao ¹ | 0 | | 0 |
| Markus Rolle | 132,000 | | 0 |
| Cayetano Carbajo Martín ² | 99,000 | | 0 |

(1) Member of the management board since 15 October 2019

(2) Former member of the management board (until 08 November 2019)

c) Telefónica, S.A. Performance Share Plan (Bonus III): Tranche 2021 – 2023

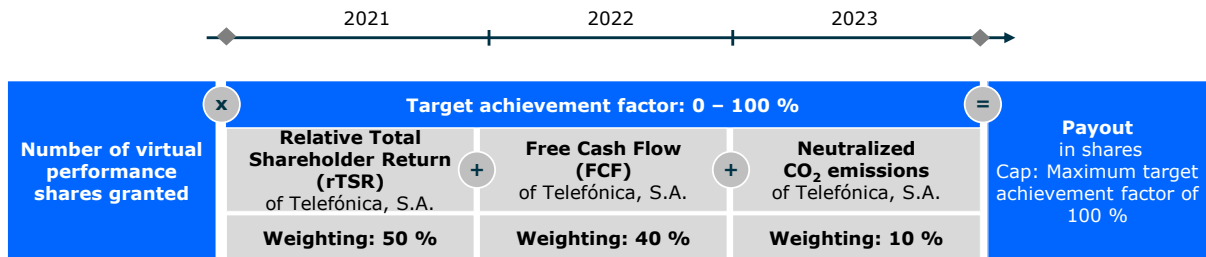
aa. Allocation of the 2021 - 2023 tranche

Bonus III is a Performance Share Plan of Telefónica, S.A. The 2021 - 2023 tranche of Bonus III was allocated to the management board members for 1 January 2021. Since the performance period will not end until the end of 2023, this variable remuneration component can only be fully reported about in the remuneration report of the 2023 financial year. The grant value is 40 % of the base salary for the Chief Executive Officer and 33 % of the base salary for ordinary management board members. The grant is made with virtual performance shares of Telefónica, S.A. For the calculation of the number of virtual performance shares granted, 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 performance period.

Bonus III tranche 2021 - 2023

| | Grant value in € | Share price at grant in € | Number of virtual performance shares granted |
|------------------|---------------------|------------------------------|---|
| Markus Haas | 308,000 | 3.5168 | 87,579 |
| Valentina Daiber | 107,910 | | 30,684 |
| Nicole Gerhardt | 105,930 | | 30,121 |
| Alfons Lösing | 141,240 | | 40,161 |
| Wolfgang Metze | 143,880 | | 40,912 |
| Mallik Rao | 118,800 | | 33,780 |
| Markus Rolle | 141,240 | | 40,161 |

The number of real shares actually received from Telefónica, S.A. after the end of the 3-year performance period equals the product of the number of granted virtual performance shares and a target achievement factor, which can range between 0 % and 100 %, depending on the achievement level of performance criteria. The management board members can therefore receive a maximum entitlement to 100 % of the originally granted virtual performance shares in the form of real shares (cap). For plan participants who are also members of the executive committee of Telefónica, S.A. (applicable for Markus Haas), a holding period of two years for 100 % of the vested shares after taxes is provided for. However, in addition to a settlement in shares, the supervisory board reserves the right to settle the claims in cash.



ab. Target achievement factor for the 2021 - 2023 tranche

The achievement level of performance criteria determines the target achievement factor. For the 2021 - 2023 tranche of Bonus III, the relative total shareholder return (rTSR) of Telefónica, S.A. compared to a peer group (50 % weighting), the free cash flow (FCF) of Telefónica, S.A. (40 % weighting), and the neutralized CO₂ emissions of Telefónica, S.A. (10 % weighting) were selected as performance criteria. The sum of the weighted target achievement factors of the selected performance criteria results in the target achievement factor for the 2021 - 2023 tranche.

Relative Total Shareholder Return of Telefónica, S.A.

A group consisting of global telecommunication companies was defined as the peer group for measuring the relative TSR for the 2021 - 2023 tranche of Bonus III: América Móvil, BT Group, Deutsche Telekom, KPN, Liberty Global, Millicom, Orange, Proximus, Swisscom, Telecom Italia, Telenor, Telia Company, TIM Brasil, Vodafone Group.

The target achievement factor for relative TSR depends on how the total shareholder return of Telefónica, S.A. has developed over the three-year period compared to the total shareholder return of the peer group. If the total shareholder return of Telefónica, S.A. is below the median of the peer group, the TSR target achievement factor is 0 %. If the median is reached, the TSR target achievement factor is 30 %. The TSR target achievement

factor is increased by linear interpolation to up to 100 % if the total shareholder return of Telefónica, S.A. reaches the upper quartile of the peer group.

Free Cash Flow (FCF) of Telefónica, S.A.

The FCF target achievement factor corresponds to the average of annual target achievement factors, which can be between 0 % and 100 % depending on the achievement of annual targets for free cash flow (annual budget figures). If the annual target is met by less than 90 %, the annual target achievement factor is 0 %. If 90 % is met, the annual target achievement factor is 50 %. The annual target achievement factor will increase to up to 100 % if the annual target has been met 100 % or exceeded. The respective annual targets for free cash flow are determined annually.

Neutralized CO₂ emissions of Telefónica, S.A.

The increased importance of sustainability targets was also taken into account in Bonus III, and with the neutralization of CO₂ emissions of Telefónica, S.A., a further ESG target was integrated as a performance criterion. Consequently, ESG targets are now included as performance criteria in three primary variable remuneration components.

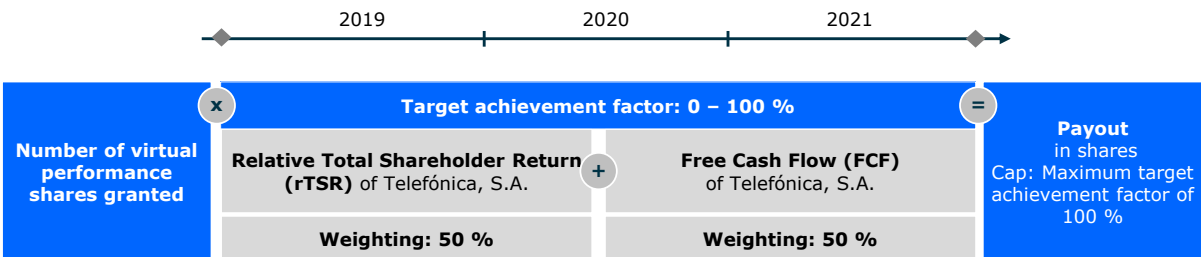
The target achievement factor for neutralized CO₂ emissions depends on how much emissions of Telefónica, S.A. were neutralized at the end of the performance period: If the target value for 2023 is met by less than 90 %, the target achievement factor is 0 %. If 90 % is met, the target achievement factor is 50 %. The target achievement factor will increase to up to 100 % using linear interpolation if the target value has been met 100 % or exceeded. The additional condition was set that gross emissions in year 2023 must be reduced by a certain percentage compared to 2015.

d) Telefónica, S.A. Performance Share Plan (Bonus III): Tranche 2019 - 2021

aa. Allocation of the 2019 - 2021 tranche

The three-year performance period of the 2019 - 2021 tranche of Bonus III ended at the end of financial year 2021. The grant value allocated for 1 January 2019 was 40 % of the base salary for the Chief Executive Officer and 33 % of the base salary for ordinary management board members (except Mallik Rao who did not receive a grant for his work in 2019, i.e. for the limited period from 15 October 2019 to 31 December 2019). The grant was made with virtual performance shares of Telefónica, S.A. For the calculation of the number of virtual performance shares granted, the grant value was divided by the weighted average Telefónica, S.A. share price of the last 30 trading days prior to the start of the performance period.

The number of real shares actually earned after the end of the 3-year performance period equals the product of the number of granted virtual performance shares and a target achievement factor, which can range between 0 % and 100 %, depending on the achievement level of performance criteria. The management board members can therefore receive a maximum entitlement to 100 % of the originally granted virtual performance shares in the form of real shares (cap). For plan participants who are also members of the executive committee of Telefónica, S.A. (applicable for Markus Haas), a holding period of 12 months for at least 25 % of the vested shares after taxes is provided for.



ab. Target achievement factor and vested shares for the 2019 - 2021 tranche

The achievement level of performance criteria determines the target achievement factor. For the 2019 - 2021 tranche of Bonus III, the relative total shareholder return (rTSR) of Telefónica, S.A. compared to a peer group (50 % weighting) and the free cash flow (FCF) of Telefónica, S.A. (50 % weighting) were selected as performance criteria. The sum of the weighted target achievement factors of the selected performance criteria results in the target achievement factor for the 2019 - 2021 tranche.

Relative Total Shareholder Return of Telefónica, S.A.

A group consisting of global telecommunication companies was defined as the peer group for measuring the relative TSR for the 2019 - 2021 tranche of Bonus III: América Móvil, BT Group, Deutsche Telekom, KPN, Millicom, Orange, Proximus, Swisscom, Telecom Italia, Telenor, Telia Company, TIM Brasil, Vodafone Group.

The target achievement factor for relative TSR depends on how the total shareholder return of Telefónica, S.A. has developed over the three-year period compared to the total shareholder return of the peer group. If the total shareholder return of Telefónica, S.A. is below the median of the peer group, the TSR target achievement factor is 0 %. If the median is reached, the TSR target achievement factor is 30 %. The TSR target achievement factor is increased by linear interpolation to up to 100 % if the total shareholder return of Telefónica, S.A. reaches the upper quartile of the peer group.

The development of the TSR over the performance period was below the median of the peer group resulting in a target achievement factor of 0.0 % for the relative TSR performance criterion.

Free Cash Flow (FCF) of Telefónica, S.A.

The FCF target achievement factor corresponds to the average of annual target achievement factors, which can be between 0 % and 100 % depending on the achievement of annual targets for free cash flow (annual budget figures). If the annual target is met by less than 90 %, the annual target achievement factor is 0 %. If 90 % is met, the annual target achievement factor is 50 %. The annual target achievement factor will increase to up to 100 % if the annual target has been met 100 % or exceeded. The respective annual targets for free cash flow were determined annually.

For the free cash flow performance criterion, an average target achievement factor of 100.0 % was achieved.

Based on the target achievement factors for relative TSR and FCF, the target achievement factor for the 2019 - 2021 tranche of Bonus III equals 50.0 %:

| Performance criterion | Weighting | Year | Target achievement | Target achievement factor |
|--|-----------|--|--------------------|---------------------------|
| Relative Total Shareholder Return (rTSR) | 50 % | 2019 - 2021 | below median | 0.0 % |
| | | 2019 | 101 % | 100.0 % |
| Free Cash Flow (FCF) | 50 % | 2020 | 113 % | 100.0 % |
| | | 2021 | 135 % | 100.0 % |
| | | Ø Free Cash Flow target achievement factor | | 100.0 % |
| Tranche 2019 - 2021 target achievement factor | | | | 50.0 % |

The table below provides an overview of the key elements of the 2019 -2021 tranche, including the number of vested shares after the end of the performance period:

Bonus III tranche 2019 - 2021

| | Grant value in € | Share price at grant in € | Number of virtual performance shares granted | Target achievement factor in % | Number of vested shares | Share price as of 31 Dec 2021 in € | Value as of 31 Dec 2021 in € ¹ |
|--------------------------------------|------------------|---------------------------|--|--------------------------------|-------------------------|------------------------------------|---|
| Markus Haas | 280,000 | 7.6086 | 36,800 | 50.0 | 18,400 | 3.8520 | 70,877 |
| Valentina Daiber | 99,000 | | 13,011 | | 6,506 | | 25,059 |
| Nicole Gerhardt | 99,000 | | 13,011 | | 6,506 | | 25,059 |
| Alfons Lösing | 132,000 | | 17,348 | | 8,674 | | 33,412 |
| Wolfgang Metze | 132,000 | | 17,348 | | 8,674 | | 33,412 |
| Mallik Rao ² | 0 | | 0 | | 0 | | 0 |
| Markus Rolle | 132,000 | | 17,348 | | 8,674 | | 33,412 |
| Cayetano Carbajo Martín ³ | 84,625 | | 11,121 | | 5,561 | | 21,419 |

(1) Preliminary value as of 31 December 2021 since the shares had not yet been transferred to the respective stock account at the time the report was prepared, i.e. the final value of the shares was not yet available

(2) Mallik Rao did not receive a grant for his work in 2019, i.e. for the limited period from 15 October 2019 to 31 December 2019.

(3) Former member of the management board; grant value pro rata temporis for the calendar year due to the termination of the contract as of 08 November 2019

e) Telefónica, S.A. Performance Share Plan (Bonus III): Other committed shares from previous tranches

For plan participants who are also members of the executive committee of Telefónica, S.A. (applicable for Markus Haas), a holding period of 12 months applies to at least 25 % of the vested shares after taxes from the Bonus III, which was granted in the 2018 financial year, vested at the end of the 2020 financial year (tranche 2018 – 2020), and which was settled by Telefónica, S.A. in the 2021 financial year. Accordingly, the holding period for 2,232 shares of the 8,925 shares vested for Markus Haas after taxes from the tranche 2018 – 2020 ended at the end of the 2021 financial year.

f) 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 of Telefónica, S.A. 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 virtual shares originally granted in the form of real shares of Telefónica, S.A. 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 granted virtual shares in the form of real shares (cap). The vesting of the shares requires an active employment relationship for at least 12 months during the plan term and an active employment relationship at the time of settlement by Telefónica, S.A. 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.

At the beginning of financial year 2020, Mallik Rao received a one-time grant of virtual shares in the amount of EUR 160,000 under the Restricted Share Plan as compensation for expired share entitlements with his previous employer. Half of the virtual shares granted has a term of two years, the second half of the grant has a term of three years. The term of the first half of the virtual shares expired on 31 December 2021. As Mallik Rao met the requirements, the corresponding shares vested after the end of the financial year.

Restricted Share Plan

| | Grant value in € | Share price at grant ⁽¹⁾ in € | Number of virtual shares granted | Plan term | Share of active employment relationship | Number of vested shares | Share price at transfer date in € | Value at transfer date in € ⁽²⁾ |
|------------|---------------------|--|--|----------------------------|--|----------------------------|---|--|
| Mallik Rao | 160,000 | 6.6723 | 11,990 | 01 Jan 2020 to 31 Dec 2021 | 100% | 11,990 | 3.9760 | 47,672 |
| | | | 11,990 | 01 Jan 2020 to 31 Dec 2022 | | | | |

Disclosures will be made after the end of the plan term

(1) Average share price of Telefónica, S.A. over the last 30 trading days before the start of the plan term

(2) The shares were transferred to Mallik Rao's stock account as of 13 January 2022.

g) Telefónica, S.A. employee participation program

Management board members are entitled to participate in the Telefónica, S.A. employee participation program (global employee share plan (GESP)) or any subsequent program with the consent of the supervisory board. The most recent employee participation program was in place from August 2019 to July 2021. During the first year, the participant invested a monthly sum of between EUR 25 and EUR 150 to buy shares in Telefónica, S.A. at the relevant market price. Subsequently, a holding period of one year was provided for. At the end of the holding period, the participant received one share in Telefónica, S.A. free of charge for every two shares purchased.

Markus Haas was the only member of the management board to participate in this tranche. Based on his investment of EUR 1,800 (purchase of 335 shares), he received 167.5 shares with a total value of EUR 659 (share price of EUR 3.9315 at transfer date) free of charge by Telefónica, S.A. upon expiry of the program in August 2021.

3.3. Malus and clawback regulations

The service contracts of the management board members provide for various regulations under which the supervisory board can withhold (malus) or reclaim (clawback) variable remuneration in justified cases.

With regard to the one-year variable remuneration (Bonus I), the supervisory board can adjust the Bonus I by means of a malus factor in the event of breach of duty by the management board member in accordance with the contracts of Valentina Daiber, Nicole Gerhardt, Alfons Lösing, Wolfgang Metze, and Markus Rolle, which have been in force since 1 August 2020.

With regard to the long-term remuneration components, the plan terms of the Telefónica Deutschland Performance Share Plan (Bonus II) also include a compliance-based malus regulation. The conditions of the Performance Share Plan of Telefónica, S.A. (Bonus III) include a malus regulation and a clawback regulation. These regulations apply not only in the event of compliance violations, but also when the original measurement of target achievement is found to be incorrect due to misrepresentations of financial reporting or other events subsequently detected.

In line with the remuneration system approved at the 2021 Annual General Meeting, all new management board service contracts to be concluded or renewed will include both malus and clawback provisions for the total amount of the variable remuneration.

In the 2021 financial year, the supervisory board did not identify any reasons for applying the malus or clawback regulations, which is why no reduction or reclaim of variable remuneration was made by the supervisory board.

3.4. Commitments in the event of (premature) termination of management board membership

3.4.1. Early termination of the service contract

The management board service contracts of the incumbent Management Board members contain a clause stipulating that, in the event of premature termination of the service contract without good cause, 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). If a contract is ended prematurely for a reason attributable to the management board member, that member has no claim to any payments.

3.4.2. Treatment of multi-year variable remuneration components

The Telefónica Deutschland Performance Share Plan (Bonus II) provides for a payment according to the due dates specified in the contract in the event of termination of a management board service contract. The share-based programs of Telefónica, S.A., however, provide that payment is made upon exit.

3.4.3. 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.

3.4.4. Post-contractual non-compete clause

A one-year non-competition covenant has been agreed with the management board members. During the term of the post-contractual non-competition covenant, management board members will receive compensation equal to 50 % of the most recently received contractual remuneration. The company may at any time waive compliance, in which case the obligation to pay the remuneration ends six months after the waiver has been declared. In addition, for the contracts of Valentina Daiber, Nicole Gerhardt, Alfons Lösing, Wolfgang Metze, and Markus Rolle, which have been in force since 1 August 2020, severance pay received in connection with the termination of the service contract will be offset against the compensation. In line with the remuneration system approved at the

2021 Annual General Meeting, all new management board service contracts to be concluded or renewed will include such offsetting rule.

3.4.5. Death benefit

If a management board member dies during the term of the service contract, the widow/widower 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.

3.5. Individualised disclosure of the remuneration of the management board

The following tables present the remuneration awarded and due in accordance with section 162 AktG as well as the target remuneration of the individual management board members.

3.5.1. Remuneration awarded and due in accordance with section 162 AktG

The following tables present the remuneration awarded and due to the individual members of the management board in office in the year under review in accordance with section 162 AktG. The disclosure follows a vesting based interpretation; the remuneration awarded and due includes all remuneration components whose performance measurement has been completed, for which all conditions precedent and subsequent have been met or expired and which have been fulfilled at the end of the financial year. This does not depend on whether the payment has already been made in the financial year or afterwards.

In the disclosure for financial year 2021, these are:

- the base salary paid out in the 2021 financial year,
- the fringe benefits accrued for the 2021 financial year,
- the Bonus I calculated for the 2021 financial year, which will be paid in the 2022 financial year,
- the Bonus II granted in the 2018 financial year and calculated in the 2021 financial year, which will be paid in the 2022 financial year,
- the Bonus III granted in the 2019 financial year and calculated at the end of the 2021 financial year, which will be settled by Telefónica, S.A. in the 2022 financial year,
- the shares vested under the Restricted Share Plan of Telefónica, S.A. at the end of the 2021 financial year, and
- the shares transferred by Telefónica, S.A. under the employee participation program in the 2021 financial year.

In addition, the service cost for the pension commitments under IAS 19 are stated for the 2021 financial year. Moreover, the tables include the relative share of the remuneration components in the total remuneration.

Remuneration awarded and due in the financial year

| | Markus Haas Chief Executive Officer (CEO) since 18 Sept 2012 / CEO since 01 Jan 2017 | | | | Valentina Daiber Chief Officer for Legal and Corporate Affairs since 01 Aug 2017 | | | |
|--|--|------------|--------------|------------|--|------------|------------|------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | in k€ | in % | in k€ | in % | in k€ | in % | in k€ | in % |
| Fixed salary | 770 | 45 | 770 | 48 | 327 | 53 | 311 | 56 |
| Fringe benefits | 11 | 1 | 15 | 1 | 21 | 3 | 19 | 3 |
| One-year variable remuneration | 867 | 50 | 770 | 48 | 239 | 39 | 202 | 36 |
| <i>Bonus I 2020</i> | - | - | 770 | - | - | - | 202 | - |
| <i>Bonus I 2021</i> | 867 | - | - | - | 239 | - | - | - |
| Multi-year variable remuneration | 72 | 4 | 64 | 4 | 25 | 4 | 23 | 4 |
| <i>Bonus II 2017 - 2020</i> | - | - | 0 | - | - | - | 0 | - |
| <i>Bonus II 2018 - 2021</i> | 0 | - | - | - | 0 | - | - | - |
| <i>PSP / Bonus III 2018 - 2020¹</i> | - | - | 64 | - | - | - | 23 | - |
| <i>PSP / Bonus III 2019 - 2021²</i> | 71 | - | - | - | 25 | - | - | - |
| <i>RSP 2020 - 2021/2022</i> | - | - | - | - | - | - | - | - |
| <i>Employee participation program</i> | 1 | - | - | - | - | - | - | - |
| Total remuneration according to § 162 AktG | 1,720 | 100 | 1,619 | 100 | 612 | 100 | 555 | 100 |
| Pension service cost | 158 | - | 143 | - | 67 | - | 61 | - |
| Total remuneration (including pension service cost) | 1,878 | - | 1,763 | - | 679 | - | 617 | - |

Remuneration awarded and due in the financial year

| | Nicole Gerhardt Chief Human Resources Officer since 01 Aug 2017 | | | | Alfons Lösing Chief Partner and Wholesale Officer since 01 Aug 2017 | | | |
|--|---|------------|------------|------------|---|------------|------------|------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | in k€ | in % | in k€ | in % | in k€ | in % | in k€ | in % |
| Fixed salary | 321 | 53 | 309 | 56 | 428 | 51 | 412 | 53 |
| Fringe benefits | 23 | 4 | 23 | 4 | 62 | 7 | 62 | 8 |
| One-year variable remuneration | 235 | 39 | 201 | 36 | 313 | 37 | 268 | 35 |
| <i>Bonus I 2020</i> | - | - | 201 | - | - | - | 268 | - |
| <i>Bonus I 2021</i> | 235 | - | - | - | 313 | - | - | - |
| Multi-year variable remuneration | 25 | 4 | 23 | 4 | 33 | 4 | 30 | 4 |
| <i>Bonus II 2017 - 2020</i> | - | - | 0 | - | - | - | 0 | - |
| <i>Bonus II 2018 - 2021</i> | 0 | - | - | - | 0 | - | - | - |
| <i>PSP / Bonus III 2018 - 2020¹</i> | - | - | 23 | - | - | - | 30 | - |
| <i>PSP / Bonus III 2019 - 2021²</i> | 25 | - | - | - | 33 | - | - | - |
| <i>RSP 2020 - 2021/2022</i> | - | - | - | - | - | - | - | - |
| <i>Employee participation program</i> | - | - | - | - | - | - | - | - |
| Total remuneration according to § 162 AktG | 604 | 100 | 555 | 100 | 836 | 100 | 772 | 100 |
| Pension service cost | 66 | - | 61 | - | 80 | - | 75 | - |
| Total remuneration (including pension service cost) | 670 | - | 616 | - | 917 | - | 847 | - |

Remuneration awarded and due in the financial year

| | Wolfgang Metzke Chief Consumer Officer since 01 Aug 2017 | | | | Mallik Rao Chief Technology and Information Officer since 15 Oct 2019 | | | |
|--|--|------------|------------|------------|---|------------|------------|------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | in k€ | in % | in k€ | in % | in k€ | in % | in k€ | in % |
| Fixed salary | 436 | 51 | 415 | 55 | 360 | 43 | 360 | 48 |
| Fringe benefits | 69 | 8 | 46 | 6 | 162 | 19 | 154 | 21 |
| One-year variable remuneration | 319 | 37 | 270 | 35 | 263 | 32 | 234 | 31 |
| <i>Bonus I 2020</i> | - | - | 270 | - | - | - | 234 | - |
| <i>Bonus I 2021</i> | 319 | - | - | - | 263 | - | - | - |
| Multi-year variable remuneration | 33 | 4 | 30 | 4 | 48 | 6 | 0 | 0 |
| <i>Bonus II 2017 - 2020</i> | - | - | 0 | - | - | - | - | - |
| <i>Bonus II 2018 - 2021</i> | 0 | - | - | - | - | - | - | - |
| <i>PSP / Bonus III 2018 - 2020¹</i> | - | - | 30 | - | - | - | - | - |
| <i>PSP / Bonus III 2019 - 2021²</i> | 33 | - | - | - | - | - | - | - |
| <i>RSP 2020 - 2021/2022</i> | - | - | - | - | 48 | - | - | - |
| <i>Employee participation program</i> | - | - | - | - | - | - | - | - |
| Total remuneration according to § 162 AktG | 857 | 100 | 761 | 100 | 833 | 100 | 748 | 100 |
| Pension service cost | 89 | - | 82 | - | 1 | - | 2 | - |
| Total remuneration (including pension service cost) | 947 | - | 843 | - | 834 | - | 749 | - |

Remuneration awarded and due in the financial year

| | Markus Rolle Chief Financial Officer since 01 Aug 2017 | | | |
|--|--|------------|------------|------------|
| | 2021 | | 2020 | |
| | in k€ | in % | in k€ | in % |
| Fixed salary | 428 | 53 | 412 | 56 |
| Fringe benefits | 29 | 4 | 21 | 3 |
| One-year variable remuneration | 313 | 39 | 268 | 37 |
| <i>Bonus I 2020</i> | - | - | 268 | - |
| <i>Bonus I 2021</i> | 313 | - | - | - |
| Multi-year variable remuneration | 33 | 4 | 30 | 4 |
| <i>Bonus II 2017 - 2020</i> | - | - | 0 | - |
| <i>Bonus II 2018 - 2021</i> | 0 | - | - | - |
| <i>PSP / Bonus III 2018 - 2020¹</i> | - | - | 30 | - |
| <i>PSP / Bonus III 2019 - 2021²</i> | 33 | - | - | - |
| <i>RSP 2020 - 2021/2022</i> | - | - | - | - |
| <i>Employee participation program</i> | - | - | - | - |
| Total remuneration according to § 162 AktG | 803 | 100 | 730 | 100 |
| Pension service cost | 88 | - | 82 | - |
| Total remuneration (including pension service cost) | 891 | - | 812 | - |

(1) The target achievement factor was 50%. The resulting shares were transferred as of 30 March 2021

(2) Preliminary value as of 31 December 2021 since the shares had not yet been transferred to the respective stock account at the time the report was prepared, i.e. the final value of the shares was not yet available

3.5.2. Target remuneration

In addition to the remuneration awarded and due, the following tables show the target remuneration of the individual management board members for the 2021 financial year and, for better comparability, for the 2020 financial year as well. The target remuneration describes that remuneration which is contractually agreed in the event of 100 % target achievement.

Target remuneration

| | Markus Haas Chief Executive Officer (CEO) since 18 Sept 2012 / CEO since 01 Jan 2017 | | Valentina Daiber Chief Officer for Legal and Corporate Affairs since 01 Aug 2017 | | Nicole Gerhardt Chief Human Resources Officer since 01 Aug 2017 | |
|----------------------------------|--|---------------|--|---------------|---|---------------|
| | 2021 in k€ | 2020 in k€ | 2021 in k€ | 2020 in k€ | 2021 in k€ | 2020 in k€ |
| Fixed salary | 770 | 770 | 327 | 311 | 321 | 309 |
| Fringe benefits | 11 | 15 | 21 | 19 | 23 | 23 |
| One-year variable remuneration | 770 | 770 | 213 | 202 | 209 | 201 |
| Bonus I 2020 | - | 770 | - | 202 | - | 201 |
| Bonus I 2021 | 770 | - | 213 | - | 209 | - |
| Multi-year variable remuneration | 924 | 924 | 216 | 216 | 212 | 212 |
| Bonus II 2020 - 2022 | - | 616 | - | 108 | - | 106 |
| Bonus II 2021 - 2023 | 616 | - | 108 | - | 106 | - |
| PSP / Bonus III 2020 - 2022 | - | 308 | - | 108 | - | 106 |
| PSP / Bonus III 2021 - 2023 | 308 | - | 108 | - | 106 | - |
| RSP 2020 - 2021/2022 | - | - | - | - | - | - |
| Pension service cost | 158 | 143 | 67 | 61 | 66 | 61 |
| Total remuneration | 2,633 | 2,622 | 843 | 810 | 830 | 805 |

Target remuneration

| | Alfons Lösing Chief Partner and Wholesale Officer since 01 Aug 2017 | | Wolfgang Metzke Chief Consumer Officer since 01 Aug 2017 | | Mallik Rao Chief Technology and Information Officer since 15 Oct 2019 | |
|----------------------------------|---|---------------|--|---------------|---|---------------|
| | 2021 in k€ | 2020 in k€ | 2021 in k€ | 2020 in k€ | 2021 in k€ | 2020 in k€ |
| Fixed salary | 428 | 412 | 436 | 415 | 360 | 360 |
| Fringe benefits | 62 | 62 | 69 | 46 | 162 | 154 |
| One-year variable remuneration | 278 | 268 | 283 | 270 | 234 | 234 |
| Bonus I 2020 | - | 268 | - | 270 | - | 234 |
| Bonus I 2021 | 278 | - | 283 | - | 234 | - |
| Multi-year variable remuneration | 282 | 282 | 288 | 288 | 238 | 398 |
| Bonus II 2020 - 2022 | - | 141 | - | 144 | - | 238 |
| Bonus II 2021 - 2023 | 141 | - | 144 | - | 119 | - |
| PSP / Bonus III 2020 - 2022 | - | 141 | - | 144 | - | - |
| PSP / Bonus III 2021 - 2023 | 141 | - | 144 | - | 119 | - |
| RSP 2020 - 2021/2022 | - | - | - | - | - | 160 |
| Pension service cost | 80 | 75 | 89 | 82 | 1 | 2 |
| Total remuneration | 1,131 | 1,099 | 1,165 | 1,100 | 995 | 1,147 |

Target remuneration

| | Markus Rolle Chief Financial Officer since 01 Aug 2017 | |
|----------------------------------|--|---------------|
| | 2021 in k€ | 2020 in k€ |
| Fixed salary | 428 | 412 |
| Fringe benefits | 29 | 21 |
| One-year variable remuneration | 278 | 268 |
| Bonus I 2020 | - | 268 |
| Bonus I 2021 | 278 | - |
| Multi-year variable remuneration | 282 | 282 |
| Bonus II 2020 - 2022 | - | 141 |
| Bonus II 2021 - 2023 | 141 | - |
| PSP / Bonus III 2020 - 2022 | - | 141 |
| PSP / Bonus III 2021 - 2023 | 141 | - |
| RSP 2020 - 2021/2022 | - | - |
| Pension service cost | 88 | 82 |
| Total remuneration | 1,105 | 1,064 |

3.6. Remuneration of former members of the management board

The remuneration awarded and due to former management board member Cayetano Carbajo Martin (Chief Technology Officer until 08 November 2019) amounts to EUR 21,419 in financial year 2021. The amount results from 5,561 shares, which vested from the participation in a multi-year variable remuneration plan of Telefónica, S.A. (PSP / Bonus III 2019 – 2021). The stated amount is a preliminary value as of 31 December 2021 since the shares had not yet been transferred to the stock account at the time the report was prepared.

In addition, five former members of the management board or former members of management received pension payments in the following amounts: (1) EUR 213,129, (2) EUR 40,265, (3) EUR 98,141, (4) EUR 6,177, and (5) EUR 21,402. In accordance with section 162 (5) sentence 2 AktG, no personal information is provided for the aforementioned former members of the management board if they left the management board or the company's management before 31 December 2011.

IV. Remuneration of the supervisory board in financial year 2021

1. Overview of the remuneration system

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 structure of supervisory board remuneration as purely 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 greater time commitment of these roles, the chairperson and vice-chairperson of the supervisory board receive increased fixed remuneration: The chairperson of the supervisory board receives EUR 100,000.00 and the vice-chairperson of the supervisory board receives EUR 50,000.00 per annum.

The chairpersons and the members of the committees of the supervisory board, which meet regularly (audit committee and remuneration committee), shall receive a separate committee remuneration in accordance with G.17 GCGC on account of the regular, additional time required. The chairperson of the audit committee shall receive EUR 45,000.00 per annum in addition to the fixed remuneration of an ordinary member, unless the chairperson of the supervisory board is the chairperson 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 an additional EUR 7,500.00 per annum, while the chairperson of the remuneration committee receives an additional EUR 13,000.00 per annum.

| Remuneration components | Ordinary member of the supervisory board | Vice-chairperson of the supervisory board | Chairperson of the supervisory board |
|---|--|---|--------------------------------------|
| Fixed remuneration p.a. | EUR 30,000 | EUR 50,000 | EUR 100,000 |
| | Ordinary member of the committee | Vice-chairperson of the committee | Chairperson of the committee |
| Remuneration of audit committee p.a. | + EUR 10,000 | + EUR 10,000 | + EUR 45,000 ¹ |
| Remuneration of remuneration committee p.a. | + EUR 7,500 | + EUR 7,500 | + EUR 13,000 |

(1) Unless the chairperson of the supervisory board chairs the audit committee.

Supervisory board members who did not serve as a member or the chairperson of the supervisory board or a committee for the entire financial year shall receive remuneration on a pro rata temporis basis. Three members of the supervisory board who also have an executive role in one of the Telefónica, S.A. Group companies waive their remuneration entirely.

The company reimburses each member of the supervisory board for expenses incurred in the performance of his or her duties. In addition, the supervisory board members are reimbursed for any value added tax. Furthermore, the company has taken out a directors and officers liability insurance policy (D&O insurance) for the benefit of the supervisory board members, which covers the legal liability arising from their supervisory board activities.

2. Individualised disclosure of the remuneration of the supervisory board

The remuneration awarded and due to the members of the supervisory board in financial year 2021 is broken down into the individual remuneration components below. There was

no remuneration awarded and due to former members of the supervisory board in financial year 2021.

Remuneration of the Supervisory Board

| | 2021 | | | | | 2020 | | | | |
|--|--------------------|------|------------------------|------|--------------------|--------------------|------|------------------------|------|--------------------|
| | Fixed remuneration | | Committee remuneration | | Total remuneration | Fixed remuneration | | Committee remuneration | | Total remuneration |
| | in k€ | in % | in k€ | in % | in k€ | in k€ | in % | in k€ | in % | in k€ |
| Peter Löscher Chairman Member since 01 April 2020 | 100 | 100 | - | - | 100 | 74 | 100 | - | - | 74 |
| Christoph Braun Deputy chairman Member since 01 July 2016 | 50 | 100 | - | - | 50 | 50 | 100 | - | - | 50 |
| Martin Butz Member since 17 May 2018 | 30 | 75 | 10 | 25 | 40 | 30 | 75 | 10 | 25 | 40 |
| Pablo de Carvajal González Member since 25 July 2018 | - | - | - | - | - | 2 | 100 | - | - | 2 |
| Peter Erskine ¹ Member since 19 May 2016 | 30 | 100 | - | - | 30 | 30 | 100 | - | - | 30 |
| María García-Legaz Ponce Member since 07 June 2018 | - | - | - | - | - | 2 | 100 | - | - | 2 |
| Ernesto Gardelliano ² Member since 05 October 2020 | - | - | - | - | - | - | - | - | - | - |
| Cansever Heil Member since 03 April 2019 | 30 | 100 | - | - | 30 | 30 | 100 | - | - | 30 |
| Christoph Heil Member from 03 June 2013 to 17 May 2018; since 03 April 2019 | 30 | 100 | - | - | 30 | 30 | 100 | - | - | 30 |
| Michael Hoffmann Member since 05 October 2012, Chairman of the Audit Committee and Remuneration Committee | 30 | 34 | 58 | 66 | 88 | 30 | 38 | 48 | 62 | 78 |
| Julio Linares López Member since 16 October 2017 | 30 | 100 | - | - | 30 | 30 | 100 | - | - | 30 |
| Stefanie Oeschger ³ Member since 03 October 2020 | 30 | 100 | - | - | 30 | 7 | 100 | - | - | 7 |
| Thomas Pfeil Member since 03 June 2013 | 30 | 75 | 10 | 25 | 40 | 30 | 75 | 10 | 25 | 40 |
| Joachim Rieger ⁴ Member since 31 October 2014 | 30 | 100 | - | - | 30 | 30 | 100 | - | - | 30 |
| Dr. Jan-Erik Walter Member since 03 June 2013 | 30 | 80 | 8 | 20 | 38 | 30 | 80 | 8 | 20 | 38 |
| Claudia Weber Member since 03 June 2013 | 30 | 80 | 8 | 20 | 38 | 30 | 80 | 8 | 20 | 38 |

(1) Peter Erskine resigned from office with effect from the end of 31 December 2021.

(2) Ernesto Gardelliano was appointed to the Supervisory Board as a shareholder representative by court order with effect from 05 October 2020 and by resolution of the Annual General Meeting on 20 May 2021.

(3) Stefanie Oeschger was appointed to the Supervisory Board as a shareholder representative by court order with effect from 03 October 2020 and by resolution of the Annual General Meeting on 20 May 2021.

(4) In addition to the remuneration pursuant to section 20 of the articles of association of Telefónica Deutschland Holding AG, Joachim Rieger received for his work as a member of the supervisory board of the subsidiary TGCS Essen & Potsdam GmbH a remuneration of EUR 2,232 in 2021 (2020: EUR 4,500).

V. Comparative presentation of remuneration trends and earnings performance

In accordance with section 162 (1), sentence 2 Note 2 AktG, the following table shows the remuneration trend for the members of the management board, the members of the supervisory board and the other employees in comparison to the earnings performance of the company.

The average remuneration of employees is based on the personnel expenses in the financial year and takes into account all active employees in the Telefónica Deutschland Group on a full-time equivalent basis below the management board. Earnings performance is shown with a key figure of the Telefónica Deutschland Group, the operating income before depreciation and amortization (OIBDA) adjusted for exceptional effects. In addition, the profit (loss) of Telefónica Deutschland Holding AG is shown in accordance with HGB.

Comparative presentation

| | 2021 | 2020 | Change |
|--|-------|-------|-------------------|
| | in k€ | in k€ | 2021/2020 in % |
| As at 31 December 2021 active members of the Management Board | | | |
| Markus Haas | 1,720 | 1,619 | 6.2 |
| Valentina Daiber | 612 | 555 | 10.3 |
| Nicole Gerhardt | 604 | 555 | 8.9 |
| Alfons Lösing | 836 | 772 | 8.4 |
| Wolfgang Metze | 857 | 761 | 12.7 |
| Mallik Rao | 833 | 748 | 11.4 |
| Markus Rolle | 803 | 730 | 10.0 |
| As at 31 December 2021 former members of the Management Board | | | |
| Cayetano Carbajo Martin (until 08 November 2019) | 21 | 23 | -5.5 |
| As at 31 December 2021 active members of the Supervisory Board | | | |
| Peter Löscher ¹ | 100 | 74 | 35.2 |
| Christoph Braun | 50 | 50 | 0.0 |
| Martin Butz | 40 | 40 | 0.0 |
| Pablo de Carvajal González | - | 2 | - |
| Peter Erskine | 30 | 30 | 0.0 |
| María García-Legaz Ponce | - | 2 | - |
| Ernesto Gardelliano ¹ | - | - | - |
| Cansever Heil | 30 | 30 | 0.0 |
| Christoph Heil | 30 | 30 | 0.0 |
| Michael Hoffmann | 88 | 78 | 12.1 |
| Julio Linares López | 30 | 30 | 0.0 |
| Stefanie Oeschger ¹ | 30 | 7 | 306.7 |
| Thomas Pfeil | 40 | 40 | 0.0 |
| Joachim Rieger | 30 | 30 | 0.0 |
| Dr. Jan-Erik Walter | 38 | 38 | 0.0 |
| Claudia Weber | 38 | 38 | 0.0 |
| Employees | | | |
| Average | 82 | 82 | 0.5 |
| Earnings performance | | | |
| Telefónica Deutschland Group: Operating income before depreciation and amortisation (OIBDA), adjusted for exceptional effects (in EUR million) | 2,411 | 2,319 | 3.9 |
| Telefónica Deutschland Holding AG: Loss (previous year: profit) according to HGB (in EUR million) | (37) | 16 | (>100%) |

(1) Entry during fiscal year 2020

Telefónica Deutschland Holding AG

For the Management Board

Markus Haas

CEO
Board

Markus Rolle

Nicole Gerhardt

Wolfgang Metze

For the Supervisory Board

Peter Löscher

Chairman of the Supervisory

Valentina Daiber

Alfons Lösing

Mallik (Yelamate Mallikarjuna) Rao

Report of the independent auditor on the formal audit of the remuneration report pursuant to § 162 Abs. 3 AktG

To Telefónica Deutschland Holding AG, Munich

Opinion

We have formally audited the remuneration report of the Telefónica Deutschland Holding AG, Munich, for the financial year from January 1, 2021 to December 31, 2021 to determine whether the disclosures pursuant to § [Article] 162 Abs. [paragraphs] 1 and 2 AktG [Aktiengesetz: German Stock Corporation Act] have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

Basis for the opinion

We conducted our formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG and IDW [Institut der Wirtschaftsprüfer: Institute of Public Auditors in Germany] Auditing Standard: The formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG (IDW AuS 870). Our responsibility under that provision and that standard is further described in the "Auditor's Responsibilities" section of our auditor's report. As an audit firm, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements to quality control for audit firms [IDW Qualitätssicherungsstandard - IDW QS 1]. We have complied with the professional duties pursuant to the Professional Code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer - BS WP/vBP], including the requirements for independence.

Responsibility of the Management Board and the Supervisory Board

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to determine, through comparison of the disclosures made in the remuneration report with the disclosures required by § 162

Abs. 1 and 2 AktG, the formal completeness of the remuneration report . In accordance with § 162 Abs 3 AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

Munich, March 29, 2022

**PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft**

Stefano Mulas
Wirtschaftsprüfer
(German Public Auditor)

ppa. Birgit Wicke
Wirtschaftsprüferin
(German Public Auditor)