

SUPERVISORY BOARD REPORT FOR THE 2020 FINANCIAL YEAR

Dear Shareholders,

The fiscal year 2020 was economically a very successful year for Telefónica Deutschland despite all the challenges posed by the global pandemic and the associated economic challenges. Telefónica Deutschland gained significant momentum. Strategic partnerships were concluded in the fixed-network segment. This enabled the company to achieve the largest broadband coverage of households in Germany. At the same time, the mobile network was significantly strengthened and rolled-out. At the end of the financial year, this resulted in the first-ever „very good“ rating for the network from the professional magazine Connect. Customer loyalty, which has risen to an all-time high, underscores this achievement. The company once again gained several hundred thousand new net customers. At the same time, the churn rate reached historic lows. Telefónica Deutschland rolled out its 5G network in over 15 cities in time for the market launch of popular 5G end devices. By end of 2025, the entire country is to be covered by the new mobile technology.

The first virtual Annual General Meeting in the company's history as well as major strategic projects such as the spin-off and sale of significant parts of the business operations of the rooftop sites of approx. 10,080 mobile network locations for a nominal purchase price of EUR 1.5 billion as well as the co-founding of a joint venture (Unsere Grüne Glasfaser (UGG)) to roll-out fibre optic connections for households (FTTH) in Germany were successfully implemented or agreed by the company. Telefónica Deutschland also announced its intention to become climate-neutral by 2025. The "Deutschland Test" study rated Telefónica Deutschland as the most valuable telecommunications company in Germany in terms of responsibility/sustainability. The Management Board acted with exemplary



Peter Löscher

Chairman of the Supervisory Board of
Telefónica Deutschland Holding AG

responsibility towards its employees during the pandemic, as evidenced by over 90 percent approval ratings in internal surveys. Furthermore, the management has set the course for a more flexible, digital and results-oriented way of working.

In the spirit of good corporate governance, the Supervisory Board collaborated well with the Management Board with regard to all significant topics on the basis of trustful cooperation, advised it and fulfilled its controlling responsibilities in the reporting period.

It thus consistently and responsibly performed its duties as set out by law, the Articles of Association and the by-laws.

Composition of the Supervisory Board

The company's **Supervisory Board** consists of 16 members, of which eight are shareholder representatives and eight are employee representatives.

At the beginning of the 2020 financial year, the Supervisory Board consisted of the following members: Laura Abasolo García de Baquedano (Chairperson), Christoph Braun (Deputy Chairperson) as well as the Supervisory Board members Sally Anne Ashford, Martin Butz, Pablo de Carvajal González, Patricia Cobián González, Peter Erskine, María García-Legaz Ponce, Cansever Heil, Christoph Heil, Michael Hoffmann, Julio Linares López, Thomas Pfeil, Joachim Rieger, Dr Jan-Erik Walter and Claudia Weber.

There were three personnel changes on the Supervisory Board during the reporting period:

On 3 February 2020, Laura Abasolo García de Baquedano resigned from her roles as Supervisory Board member and Chair of the Supervisory Board with effect from end of 31 March 2020. In the spirit of a seamless transition, Peter Löscher became a new member of the Supervisory Board by court appointment with effect from 1 April 2020. Following respective pre-dealing in a meeting, the Supervisory Board elected Peter Löscher as its new Chairman with effect from 2 April 2020.

In accordance with the recommendation of C.15 sentence 2 of the German Corporate Governance Code, Mr. Löscher was appointed by court. At the Annual General Meeting on 20 May 2020, Peter Löscher was elected, in accordance with the legal requirements, as a member of the Supervisory Board for the remaining term of office of the resigned Supervisory Board member Laura Abasolo García de Baquedano and thus until the end of the Annual General Meeting in 2022. The Supervisory Board subsequently confirmed Mr. Löscher once again in his office as Chairman of the Supervisory Board.

Supervisory Board members Sally Anne Ashford and Patricia Cobián González resigned as members of the Supervisory Board with effect from the end of the Supervisory Board meeting on 25 September 2020. As their respective successors, Stefanie Oeschger and Ernesto Gardelliano were appointed by the court with effect from 3 October and 5 October 2020 respectively, following respective pre-dealing by the Nomination Committee and the Supervisory Board. Stefanie Oeschger is – along with Peter Löscher and Michael Hoffmann – one of three independent members on the shareholder side of the Supervisory Board.

The members of the Supervisory Board as of 31 December 2020 were: Chairman Peter Löscher, Deputy Chairman Christoph Braun and

Supervisory Board members Martin Butz, Pablo de Carvajal González, Peter Erskine, María García-Legaz Ponce, Ernesto Gardelliano, Cansever Heil, Christoph Heil, Michael Hoffmann, Julio Linares López, Stefanie Oeschger, Thomas Pfeil, Joachim Rieger, Dr Jan-Erik Walter and Claudia Weber. Further information, including curricula vitae of the members of the Supervisory Board, can be found on the Company's website at www.telefonica.de/aufsichtsrat.

In accordance with the recommendation of C.10 of the German Corporate Governance Code, the member Michael Hoffmann, who is independent of the controlling shareholder as well as of the Company and the Executive Board, is the Chairman of the Audit Committee and an independent financial expert on the Supervisory Board. Ernesto Gardelliano brings further financial expertise with material expertise within the meaning of sec. 100 para. 5 German Stock Corporation Act (AktG) as successor to Patricia Cobián González.

Composition of the Management Board

In the financial year 2020, the Management Board of Telefónica Deutschland Holding AG consisted of seven members: Markus Haas, Chief Executive Officer (CEO), Markus Rolle, Chief Financial Officer (CFO), Valentina Daiber (Chief Officer Legal and Corporate Affairs), Nicole Gerhardt (Chief Human Resources Officer and Labour Director ("Arbeitsdirektorin")), Alfons Lösing (Chief Partner & Wholesale Officer), Wolfgang Metze (Chief Consumer Officer) and Mallik Rao (Yelamate Mallikarjuna Rao; Chief Technology & Information Officer).

There were no changes in the composition of the Management Board during the reporting period.

Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board cooperate in a trusting manner in all relevant matters within and outside of Supervisory Board meetings and in the interest of the company.

In the reporting period, the Supervisory Board advised and monitored the Management Board with advice in accordance with legal requirements.

The Management Board involved the Supervisory Board in all material decisions in a timely manner, submitted reports to the Supervisory Board in oral and written form and provided additional information when required, if necessary also by means of an expert opinion from external advisors. Where approval by the Supervisory Board was required by law, the articles of association or the by-laws, this was given after intensive consultation, examination and discussion in the Supervisory Board and – where relevant – in the committees set up by

the Supervisory Board for this purpose.

In addition, the Management Board provided the Supervisory Board monthly with a written report, which covered in particular relevant financial key performance indicators (KPIs).

During the reporting period, the Chairperson of the Supervisory Board regularly exchanged information with the Management Board, in particular with the CEO. Thus, regular alignment meetings took place between the Chairperson of the Supervisory Board and the CEO. They discussed the current status and future development of the company, as well as the progress of ongoing important projects, strategy, business policy, corporate planning, risks and opportunities and its management, as well as compliance and governance topics. Furthermore, there is a lively exchange between the Chairperson of the Supervisory Board and the CEO outside of regular meetings. The Chairperson of the Supervisory Board informed the other members of the Supervisory Board about important topics discussed.

In addition to the meeting activities, pre-alignment meetings for the respective meetings and other information provided to the Supervisory Board by the Management Board during the year, an annual strategy workshop was again held in which the strategy of the company was analysed in the current light of developments and for each Management Board department and discussed in an informal setting. All members of the Supervisory Board and Management Board participated in the strategy workshop.

Meetings of the Supervisory Board

In 2020, five regular meetings of the Supervisory Board were held, namely on 17 February (meeting on the financial statements for the 2019 financial year; "Bilanzsitzung"), 27 April, 23 July, 26 October and 17 December 2020.

Furthermore, there were five internal meetings of the Supervisory Board in which internal Supervisory Board topics such as the effectivity survey and further training of the Supervisory Board, the composition and composition of its committees as well as Management Board remuneration topics were dealt with. The internal meetings were held on 17 February, 27 March, 23 July, 26 October and 17 December 2020.

In addition, there was an extraordinary Supervisory Board meeting on 25 September 2020.

There have been two Supervisory Board meetings so far in 2021. An extraordinary meeting of the Supervisory Board was held on the evening of 18 January 2021 in anticipation of an IR Capital Market Update on the following day.

The meeting on the financial statements for the 2020 financial year was held on 22 February 2021. In addition to financial topics, the meeting on the financial statements also dealt with corporate governance topics and preparations of the Annual General Meeting.

Material topics dealt with by the Supervisory Board

The first meeting of the Supervisory Board in the financial year 2020 was the meeting on the financial statements for the 2019 financial year, which took place on 17 February 2020. The focus of this meeting was the review and approval of the annual and consolidated financial statements and the combined management report for the 2019 financial year as well as the treatment of the dependency report and the non-financial statement and consideration of profitability. In addition to these topics, the Supervisory Board dealt in particular with the strategic priorities for 2020 in general and in particular in the areas of CTIO, business partner business and customer service / B2C as well as human resources. Furthermore, the agenda of the Annual General Meeting on 20 May 2020 and its proposed resolutions, including the distribution of the balance sheet profit and corporate governance topics were discussed.

In an internal meeting on the same day, the Supervisory Board dealt in particular with the court appointment of Peter Löscher as successor to Laura Abasolo García de Baquedano, new legal requirements (ARUG II) and Management Board remuneration issues.

In an extraordinary, internal Supervisory Board meeting on 27 March 2020, the Supervisory Board dealt in particular with the succession for the Supervisory Board chairmanship and committee appointments. At this meeting, the Supervisory Board also established a new resolution passing committee of the Supervisory Board, the Related Party Transactions Committee, in accordance with the provisions of the German Stock Corporation Act (SRD II). Furthermore, the Supervisory Board also dealt with the topic of a possible virtual Annual General Meeting due to the Covid-19 situation as well as the extraordinary agenda items (amendment of the Articles of Association including adjustment of Supervisory Board remuneration and election of Peter Löscher to the Supervisory Board).

The Supervisory Board meeting on 27 April 2020 dealt in particular with the Covid-19 situation in general and specifically the effects on the company as well as measures taken. Other items on the agenda included financial topics (in particular Q 1 results and the annual financial statements of the direct subsidiaries), an update on network topics and the German Corporate Governance Code 2020. The Supervisory Board furthermore dealt with audit and risk management, including the audit plan for 2020, regulatory topics, as well as the upcoming first virtual Annual General Meeting 2020.

Furthermore, the Supervisory Board dealt with updates on strategic projects, in particular the spin-off and sale of significant parts of the business operations of the rooftop locations, as well as wholesale projects. During the meeting, the Supervisory Board also discussed with the Management Board the public perception and the company's contribution to global megatrends such as digitalisation, climate change & sustainability, connectivity, urbanisation and demographic change.

The meeting on 23 July 2020 dealt, among other things, with the half-year financial figures, CTIO topics (in particular fulfilment of the roll-out obligations from the 4G frequency auction, roll-out and dealing with US trade sanctions in connection with Huawei), B2P and HR topics – here in particular new organisational principles and “ways of working” after Corona. During this meeting, an update was also given on a project concerning a new fibre-optic company.

In the internal meeting of the Supervisory Board on the same day, the Supervisory Board dealt in particular with corporate governance issues, including the preliminary adoption of the Declaration of Compliance 2020 and the upcoming annual effectivity survey of the Supervisory Board.

In an extraordinary meeting on 25 September 2020, the Supervisory Board dealt in particular with the succession for the two departing members Sally Anne Ashford and Patricia Cobián González in an initially Supervisory Board-internal part. Furthermore, the Supervisory Board passed a resolution on the 2020 Declaration of Compliance – after detailed pre-dealing by the Remuneration Committee on the new remuneration recommendations of the German Corporate Governance Code 2020. In the internal part of the meeting, the Supervisory Board dealt with further corporate governance topics such as independence and the responsibility of the Remuneration Committee for boards' say on pay. In the part of the meeting held jointly with the Management Board, the Supervisory Board dealt, among other things, with a possible transport network contract for a new fibre-optic company and the broadband contract with Deutsche Telekom.

At the meeting on 26 October 2020, the Supervisory Board dealt in particular with the Q3 results and the long-term business plan pre-discussed at the strategy workshop on 21 October 2020, in addition to the usual market and CTIO updates. The Supervisory Board held a strategic discussion on the possible participation in the fibre optic project as a wholebuy customer and investor. Furthermore, there was an operational update on the B2P and B2B areas as well as information on the so-called “5 bold moves” on the way to the working world of tomorrow. The Corporate & Legal Affairs update dealt with legal and regulatory requirements such as the amendment to the Telecommunications Act, sustainability and responsible business plan.

An internal meeting of the Supervisory Board was also held on 26 October 2020, in which, among other things, the results of the efficiency survey of the Supervisory Board, the further training of the Supervisory Board and its working methods in the changing world of work as well as Management Board remuneration topics were discussed.

At the Supervisory Board meeting on 17 December 2020, the topics discussed included a review of the successful year 2020 for the company, the priorities for 2021, the agenda for the 2021 Annual General Meeting and financial topics. Furthermore, an update was given on the CTIO and business partner areas of the Management Board. The subsequent internal meeting of the Supervisory Board dealt with Management Board remuneration topics (including peer group) and a training plan for the Supervisory Board.

Where necessary, the Supervisory Board also passed resolutions outside of meetings, in particular by e-mail. For example, the final agenda for the 2020 Annual General Meeting and its implementation, taking into account the facilitations resulting from the Act on Measures in Company, Cooperative, Association, Foundation and Condominium Law to Combat the Effects of the COVID 19 Pandemic (“Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie”) after respective pre-dealing in meetings held in person and in committees (where relevant). The election of Peter Löscher as Chairman of the Supervisory Board also took place by e-mail resolution, and the same applies to the appointment of Ernesto Gardelliano as a member of the Audit and Nomination Committee following court appointment.

Committees of the Supervisory Board

As of 31 December 2020, the Supervisory Board has installed five committees: an Audit Committee, a Remuneration Committee, a Nomination Committee, a Related Party Transactions Committee and a Mediation Committee. The Audit Committee and the Remuneration Committee meet regularly, the other committees meet when there is a reason.

The **Audit Committee** is inter alia responsible for preparing the resolution of the Supervisory Board regarding the approval of the financial statements, discusses the quarterly and half-year reports with the Management Board, monitors the accounting processes and auditing, compliance and the effectivity of internal control systems (including risk management and internal audit systems) and the auditor's review of the financial statements. It furthermore is responsible for the coordination with and selection of the auditor.

During the reporting year, the audit committee consisted of the following members:

- Michael Hoffmann (chairman; independent financial expert)
- Martin Butz
- Ernesto Gardelliano (financial expert; member since 10 October 2020; until 25 September 2020: Patricia Cobián González) and
- Thomas Pfeil.

In 2020, the Audit Committee met four times, on 17 February, 27 April, 23 July and 26 October 2020, to discuss, among other things, the financial results, audit, risk management and integrity services including compliance and cyber security, and the assessment of the audit work. Furthermore, the Supervisory Board's meeting on financial statements and corresponding recommendations to the full board were prepared.

Outside of meetings, the Chairman of the Audit Committee also maintained during the reporting year close contact with the auditors and internal (especially finance) departments as well as the Management Board and informed the other members of the Audit Committee about important topics arising from this exchange. Furthermore, the chairman of the audit committee regularly reports to the Supervisory Board on the activities of the audit committee.

During the reporting year, the **Remuneration Committee** consisted of the following members:

- Michael Hoffmann (member and chairman since 25 September 2020; independent; until 25 September 2020: Sally Anne Ashford)
- María García-Legaz Ponce (since 1 April 2020 until 31 March 2020: Laura Abasolo García de Baquedano)
- Dr. Jan-Erik Walter and
- Claudia Weber.

The Remuneration Committee is entrusted with the preparation of topics relating to the remuneration of the Management Board. Since 25 September 2020, the Remuneration Committee is also responsible for preparing Supervisory Board remuneration topics, insofar as these fall within the remit of the Supervisory Board, particularly in the context of the new "say on pay" requirements. The Remuneration Committee makes recommendations to the full Supervisory Board in this regard.

The Remuneration Committee met three times in 2020, on 12 February, 7 September and 23 November 2020. Among other things, it dealt intensively with legal provisions regarding management remuneration in accordance with the German Stock Corporation Act in accordance with SRD II and dealt in detail with the remuneration-related recommendations of the German Corporate Governance Code 2020, including the publication of a peer group for future Management Board contracts - before respective resolution passing by the Supervisory Board.

In 2021, a meeting of the Remuneration Committee was held on 1 February 2021. The focus of the meeting was the preparation of the Management Board remuneration system, which will be presented to the Annual General Meeting 2021 in accordance with the legal requirements.

The members of the Remuneration Committee also participated in various preparatory meetings outside the meetings of the Remuneration Committee (including an informal Q&A session on the topic of Say on Pay). Furthermore, the Remuneration Committee also passed during the reporting period resolutions by e-mail outside of meetings.

The **Nomination Committee** proposes suitable candidates to the Supervisory Board for election proposals to the Annual General Meeting. As of 31 December 2020, the Nomination Committee consisted of the following members:

- Peter Löscher (member since 2 April 2020; chairman since 25 September 2020; independent; beforehand member until 31 March 2020: Laura Abasolo García de Baquedano; Chairperson until 25 September 2020: Patricia Cobián González)
- Ernesto Gardelliano (since 10. Oktober 2020; beforehand until 25 September 2020: Patricia Cobián González) and
- Pablo de Carvajal González.

In the reporting year, the Nomination Committee dealt with the succession topics of the Supervisory Board and proposed Peter Löscher, Stefanie Oeschger and Ernesto Gardelliano to the Supervisory Board as suitable candidates for succession to the Supervisory Board. For the succession proposal, the Nomination Committee has always considered the requirements of the German Stock Corporation Act (AktG) as well as of the German Corporate Governance Code including the competence profile, the composition criteria and the diversity concept as determined by the Supervisory Board. Based on these requirements and in anticipation of the Annual General Meeting on

20 May 2020, the Nomination Committee recommended Peter Löscher to the full Supervisory Board as a suitable candidate for the Supervisory Board's election proposal to the Annual General Meeting. The Nomination Committee dealt with this inter alia in a meeting of the Nomination Committee on 5 February 2020. Furthermore, considering the legal requirements and with support of external HR consultant expertise, the members of the Nomination Committee dealt extensively with the succession for Sally Anne Ashford and Patricia Cobián González. After respective pre-dealing, the nomination committee made its recommendations to the Supervisory Board.

On 27 March 2020, the Supervisory Board established a new resolution-passing committee, the **Related Party Transactions Committee**, in accordance with the requirements of sec. 107 para. 2 sentence 3 of the German Stock Corporation Act (AktG), so the majority of its members have in general no conflicts of interest with regard to the controlling shareholder. The Related Party Transactions Committee monitors and resolves on certain transactions with affiliated companies, in particular transactions with affiliated companies pursuant to sec. 111a, b German Stock Corporation Act (AktG), instead of the full Supervisory Board.

The Related Party Transactions Committee consists of the following five members:

- Peter Löscher (member and chairman since 25 September 2020; beforehand member until 25 September 2020: Sally Anne Ashford)
- Christoph Braun
- Pablo de Carvajal González
- Michael Hoffmann (until 25 September 2020 chairman) and
- Thomas Pfeil.

The Related Party Transactions Committee met four times in 2020, on 4 May, 3 June, 25 September and 26 October 2020. The Related Party Transactions Committee dealt with governance and the internal control system in accordance with SRD II, with quarterly monitoring of transactions with related parties and with two transactions (spin-off and sale of significant parts of the business operations of the roof-top locations of approx. 10,080 mobile sites and the co-founding of a joint venture (Unsere Grüne Glasfaser (UGG)) to expand fibre-to-the-home (FTTH) connections in Germany).

As of 31 December 2020, the **Mediation Committee** with the responsibilities as defined in section 31 Co-Determination Act (MitbestG) consisted of the following members:

- Peter Löscher (chairman, since 2 April 2020; Beforehand until 31 March 2020: Laura Abasolo García de Baquedano)
- Julio Linares López
- Christoph Braun and
- Christoph Heil.

There was no need for the Mediation Committee to convene in the reported year.

Attendance at Meetings

Insofar as members could not attend meetings of the Supervisory Board or relevant committee meetings in isolated cases, they were excused. They participated then in the passing of resolutions by written vote.

The individual meeting attendance during the financial year 2020 was as follows:

Member of the Supervisory Board	Number of Meetings*	Attendance	Non-Attendance	Attendance Quota
Peter Löscher (since 01.04.2020)	10	10	0	100%
Laura Abasolo García de Baquedano (until 31.03.2020)	5	5	0	100%
Christoph Braun	15	15	0	100%
Sally Anne Ashford (until 25.09.2020)	11	10	1	91%****
Martin Butz	14	14	0	100%
Pablo de Carvajal González	16	15	1	94%****
Patricia Cobián González (until 25.09.2020)	11	8	3	73%**
Peter Erskine	11	9	2	82%***
María García-Legaz Ponce	13	12	1	92%****
Ernesto Gardelliano (since 05.10.2020)	5	5	0	100%
Cansever Heil	11	11	0	100%
Christoph Heil	11	11	0	100%
Michael Hoffmann	20	20	0	100%
Julio Linares López	11	11	0	100%
Stefanie Oeschger (since 03.10.2020)	4	4	0	100%
Thomas Pfeil	19	19	0	100%
Joachim Rieger	11	11	0	100%
Dr. Jan-Erik Walter	14	12	2	86%***
Claudia Weber	14	14	0	100%
Total	226	216	10	96%

* This includes the number of Supervisory Board and respective committee meetings. The work of the Supervisory Board which took place outside of meetings, is not reflected herein.

** The member was excused for personal reason on one day on which three meetings were held. The member participated in the passing of resolutions by submitting a written vote.

*** The member was excused for personal reason on one day on which two meetings were held. The member participated in the passing of resolutions by submitting a written vote.

**** The member was excused for personal reason on one meeting. The member participated in the passing of resolutions by submitting a written vote.

The overview on the individual meeting attendance is also available on the Company's website at www.telefonica.de/investor-relations-en/company/supervisory-board/members-attendance-at-meetings.html.

Corporate Governance

Good corporate governance is essential for corporate success and is therefore in the interest of the company's shareholders. Further details on the corporate governance of Telefónica Deutschland Holding AG can be found in the Management Declaration pursuant to section 289f in connection with 315d German Commercial Code (HGB) in the Annual Report and on the company's website at www.telefonica.de/management-declaration-2020.

On 25 September 2020, the Management Board and the Supervisory Board approved a new Declaration of Compliance pursuant to section 161 German Stock Corporation Act (AktG). The Declaration

of Compliance was published on the company's website at www.telefonica.de/declaration-of-compliance-2020. Previous versions of the Declaration of Compliance can be also found at the website.

Six of the 16 members of the Supervisory Board hold positions in the administrative, management and supervisory bodies of the majority shareholder or its affiliated companies. Both the Supervisory Board members and the Management Board members disclose potential conflicts of interest promptly to the Supervisory Board. In the reporting period, no conflicts of interest within the meaning of the German Corporate Governance Code arose.

As of 31 December 2020, the Supervisory Board comprised four female and twelve male members. Thus the Supervisory Board continues to fulfil the requirements of sec. 96 para. 2 German Stock Corporation Act (AktG) which the Supervisory also adopted for itself (a gender diversity quota of at least 30 %), which shall be fulfilled

separately by shareholder and employee representatives side following a shareholder representative resolution. This quota was fulfilled during the entire financial year with two female members on the employee representative side and two, respectively three, female members on the shareholder representative side.

The minimum gender diversity quota for the Management Board is 25%. It was met throughout the whole financial year 2020 (two of seven members are female).

Support of Members of the Supervisory Board

The members of the Supervisory Board are adequately supported when taking up their duties. In particular, an introduction to the activities of the Supervisory Board at Telefónica Deutschland takes place upon taking office. As part of this introduction, the Supervisory Board office with legal advisors explain the practical and legal principles and also highlight specific issues relating to stock corporation law. Any training and further development requirements of the Supervisory Board are regularly assessed during the course of its work. In the reporting year, general and legal training courses were held, in particular on corporate governance issues and new legal framework. Furthermore, relevant literature was made available when required and so-called noting papers were prepared on individual topics (e.g. new publication obligations).

Review of the Financial Statements 2020

Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements and the consolidated financial statements as well as the combined management report of Telefónica Deutschland Holding AG and the Group as of 31 December 2020 and provided each with an unqualified audit opinion. The annual financial statement of Telefónica Deutschland Holding AG and the combined management report for Telefónica Deutschland Holding AG and the Telefónica Deutschland Group were prepared in accordance with German commercial law. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as they are applied in the European Union (EU) and the additional requirements which have to be applied in accordance with section 315e para 1 German Commercial Code (HGB). The auditor carried out the audit in accordance with section 317 German Commercial Code (HGB) considering German principles of proper auditing set by the Institute of Public Auditors in Germany (IDW).

The financial statement documentation of Telefónica Deutschland Holding AG and the Group, the separate non-financial declaration for Telefónica Deutschland Holding AG for the financial year 2020 as well as the respective auditor's reports and the Management

Board's proposal for the distribution of profit were submitted to the Supervisory Board prior to the meeting on 22 February 2021 ("Bilanzsitzung"). The Audit Committee and the full Supervisory Board thoroughly reviewed the Annual Financial Statement ("Jahresabschluss"), the Group financial statements, the combined Management Report for Telefónica Deutschland Holding AG and the Group, the separate combined non-financial declaration, the respective auditor's reports and the Management Board proposal for the distribution of profit and discussed the documents in detail together with the auditor on 22 February 2021. The auditor also reported on scope, material aspects and results of his audit. There was no report on material weaknesses of the internal control system and the risk management system. Management Board explained in this meeting the risk management system besides the annual financial statement of Telefónica Deutschland Holding AG and the Group, the combined management report and the separate non-financial declaration. The Supervisory Board approved the auditor's findings in the audit reports and had no objections after its own assessment.

At its meeting on 22 February 2021, the Supervisory Board approved the annual financial statements of Telefónica Deutschland Holding AG and the consolidated financial statements together with the combined management report for the 2020 financial year; the financial statement of Telefónica Deutschland Holding AG is thereby adopted.

Relations to affiliated companies

The report on relations to affiliated companies (dependency report) as prepared by the Management Board pursuant to section 312 of the German Stock Corporation Act was also audited by the auditor. With respect thereto, the auditor issued the following unqualified opinion ("Uneingeschränkter Bestätigungsvermerk"):

"Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct, and
2. the payments made by the company in connection with legal transactions detailed in the report were not unreasonably high."

The dependency report as prepared by the management board and audited by the auditor as well as the audit report on the dependency report were submitted to the Supervisory Board and discussed in detail in the meeting on 22 February 2021 also with the auditor. Having reviewed the dependency report and the corresponding audit report, the Supervisory Board agreed with the results of the audit of the dependency report and as the result of its own assessment had no objections against the dependency report and the Management Board's

declaration contained therein.

The Supervisory Board thanks again former Supervisory Board Chairperson Laura Abasolo García de Baquedano who resigned with effect from 31 March 2020, for the good and trusting cooperation. She has done an outstanding job on the Supervisory Board of Telefónica Deutschland over the past years. The Supervisory Board would also like to thank the other Supervisory Board members who left in the 2020 financial year, Patricia Cobián González and Sally Anne Ashford, for the good collaboration.

The Supervisory Board thanks the whole Management Board for the excellent management in the challenging business year 2020 and for the always trustful collaboration. Furthermore, the Supervisory Board thanks also all employees of Telefónica Deutschland who showed an outstanding commitment in these special times and contributed materially to the success of the Company.

Munich, 22 February 2021

On behalf of the Supervisory Board

A handwritten signature in black ink, appearing to read 'Peter Löscher', written in a cursive style.

Peter Löscher
Chairman of the Supervisory Board of
Telefónica Deutschland Holding AG