

Telefónica Deutschland
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Remuneration Report

Telefónica Deutschland Holding AG
Reporting year 2022

Convenience translation

Telefónica Deutschland

2022 Remuneration Report

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2022 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 financial year 2022 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 28 April 2022, 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 financial year 2022

The financial year 2022 saw extensions of management board contracts and changes to the composition of the management board. The supervisory board of Telefónica Deutschland Holding AG extended the contracts of Chief Executive Officer (CEO) Markus Haas as well as management board member Mallik Rao (Yelamate Mallikarjuna Rao) (Chief Technology & Information Officer - CTIO), originally slated to expire on 31 December 2022, until 31 December 2025. In addition, the contracts of management board members Valentina Daiber (Chief Officer for Legal and Corporate Affairs - COLCA), Nicole Gerhardt (Chief Human Resources Officer - CHRO), Alfons Lösing (Chief Partner & Wholesale Officer - CPWO) and Markus Rolle (Chief Financial Officer - CFO), originally slated to expire on 31 July 2023, were extended until 2026. For management board member Wolfgang Metze, re-appointed as management board member and Chief Commercial Officer (CCO) with effect from 1 August 2020 until 31 July 2023, the supervisory board agreed to an early resignation as management board member on 1 June 2022. His employment contract terminates as originally slated on 31 July 2023. On 28 October 2022, the supervisory board concluded a contract with Andreas Laukenmann for the role of future management board member and Chief Consumer Officer (CCO). He will start his new role by 1 September 2023 at the latest. Until then, Markus Haas will take on the duties of the CCO on an interim basis.

Following the preliminary referral by the remuneration committee, the supervisory board carried out a review of the supervisory board's remuneration system in the financial year 2022. This review resulted in a proposal to remunerate memberships in all committees of the supervisory board separately, to properly take into consideration the additional time expenditure in line with the G.17 recommendation of the German Corporate Governance Code. The supervisory board approved the amended remuneration system for the supervisory board on 21 February 2022 and submitted it to the Annual General Meeting of Telefónica Deutschland on 19 May 2022 for approval in the consultative vote of the shareholders (say on pay). The resolution passed with 99.82% of the votes. It applies retroactively from 1 January 2022. A detailed presentation of the remuneration system for the supervisory board is available on the [Telefónica Deutschland website](#).

The 2022 Annual General Meeting also approved the remuneration report for the financial year 2021 with 86.55% of the votes. Therefore, there is no reason to change the basic approach or the way of reporting.

III. Remuneration of the management board in financial year 2022

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 financial year 2022

Against the backdrop of the entry into force of the Act Implementing the Second Shareholders' Rights Directive (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 financial year 2021. This review resulted in the addition or amendment of various remuneration-related components. In particular, this included setting a maximum remuneration for the management board members in accordance with Section 87a (1) (second sentence) (1) of the Stock Corporation Act (AktG). It also involved further specifying the pre-existing malus regulations and supplementing them with clawback regulations for the total 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 the second sentence of Section 87a (2) AktG, if the derogation is necessary in the interest of the long-term prosperity of the company.

The supervisory board approved the amended remuneration system for the management board on 22 February 2021 and submitted it to the Annual General Meeting of Telefónica Deutschland on 20 May 2021 for approval in the consultative vote of the shareholders (say on pay). The resolution passed with 84.72% of the votes. A detailed presentation of the remuneration system for the management board is available on the [Telefónica Deutschland website](#). The remuneration system applies to all management board employment contracts that are newly concluded or renewed on or after the date of the Annual General Meeting. The amended management board remuneration system published in accordance with the law therefore does not apply to the management board contracts in effect in the financial year 2022, all of which were concluded before approval of the remuneration system by the Annual General Meeting. It applies instead to all renewed and newly concluded contracts in 2022, all of which without exception first come into effect in 2023.

The remuneration system for the management board applicable for the financial year 2022 consists of fixed and variable components, which together make up 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	Fixed remuneration paid out in twelve equal monthly amounts
	Fringe benefits	Mainly company car, insurance, D&O insurance with deductible, and other allowances
	Pension commitment	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)	- One-year cash bonus 70% Telefónica Deutschland component 80% financial performance criteria 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) 5% Net Promoter Score (NPS) 5% Reduction of CO₂ emissions 4% NPS Gap 3% Reputation of the company (RepTrak Pulse) 3% Proportion of women in management positions 30% Telefónica, S.A. component - Cap: 150% of the target bonus
	Telefónica Deutschland Performance Share Plan (Bonus II)	(Virtual) Performance Share Plan - Three-year performance period - Performance criteria 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)	- Performance Share Plan - Three-year performance period - Performance criteria 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 2022 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 2022, 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 2022 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 2022.

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 2022 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	
	2022	2021	2022	2021
Markus Haas	157	158	1,325	2,060
Valentina Daiber	67	67	377	539
Nicole Gerhardt	66	66	168	255
Alfons Lösing	74	80	1,905	2,970
Wolfgang Metze ¹	89	89	188	302
Mallik Rao	74	1	97	104
Markus Rolle	88	88	503	1,026

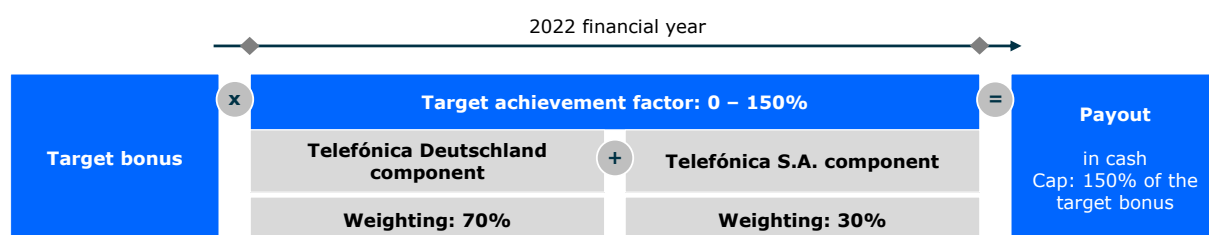
(1) Management board member until 1 June 2022

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%.



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 2022. 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 2022 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 2022 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)	5%	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	4%	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 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	3%	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.

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 2022 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 2022 that those target achievement 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 110.9% in financial year 2022, and is based on the following target achievements for the individual performance criteria:

Category	Performance criterion	Weighting	Target achievement
Financial	Revenues	30%	104%
	OIBDA	30%	102%
	Free Cash Flow (FCF)	20%	106%
Non-financial	Net Promoter Score (NPS)	5%	3 ¹
	Reduction of CO ₂ emissions	5%	80% ²
	NPS Gap	4%	-17 ¹
	Reputation of the company (RepTrak Pulse)	3%	101%
	Proportion of women in management positions	3%	103%

(1) Target achievement is defined as the difference between actual value and target value.

(2) 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.

Telefónica, S.A. component

The supervisory board determines the target achievement factor for the Telefónica, S.A. component with due discretion. Such discretion shall be guided by the business performance of Telefónica, S.A. in the respective year. For financial year 2022, the supervisory board set a target achievement factor of 121.3%.

Summary: Target achievement factor and payout amounts for Bonus I 2022

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 2022 equals 114.0%, which results in the following payout amounts for the management board members active as of 31 December 2022:

Bonus I 2022

	Target amount in €	Target achievement factor in %	Payout amount in €
Markus Haas	770,000	114.0	877,800
Valentina Daiber	212,550		242,307
Nicole Gerhardt	208,650		237,861
Alfons Lösing	278,200		317,148
Mallik Rao	234,000		266,760
Markus Rolle	278,200		317,148

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 2019 ended in financial year 2022.

a) **Telefónica Deutschland Performance Share Plan (Bonus II): Tranche 2022 – 2024**

aa. **Allocation of the 2022 – 2024 tranche**

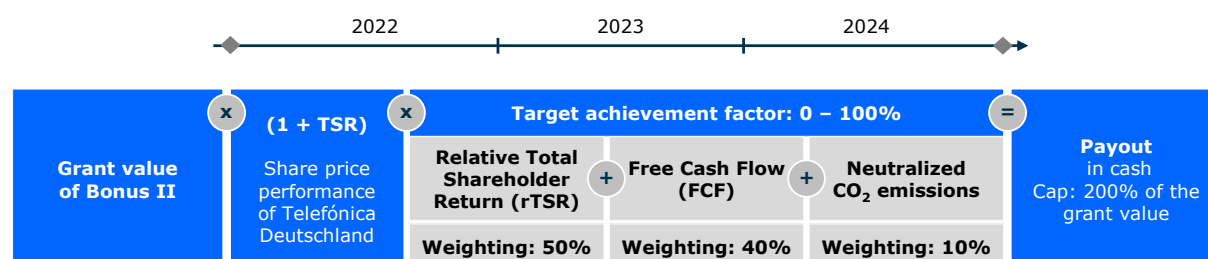
Bonus II is a virtual Performance Share Plan of Telefónica Deutschland. The 2022 – 2024 tranche of Bonus II was allocated to the management board members for 1 January 2022. Since the performance period will not end until the end of 2024, this variable remuneration component can only be fully reported about in the remuneration report of the financial year 2024. The grant value equals 80% of the base salary for the Chief Executive Officer and 33% of the base salary for ordinary management board members.

The following table shows the grant values for the management board members active as of 31 December 2022:

Bonus II tranche 2022 - 2024

Grant value in €	
Markus Haas	616,000
Valentina Daiber	107,910
Nicole Gerhardt	105,930
Alfons Lösing	141,240
Mallik Rao	118,800
Markus Rolle	141,240

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) depending on the achievement level of performance criteria related to Telefónica Deutschland. The payout is limited to 200% of the grant value (cap) and is made in cash.



ab. **TSR factor (1 + TSR) for the 2022 – 2024 tranche**

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.

ac. Target achievement factor for the 2022 – 2024 tranche

The achievement level of the performance criteria determines the target achievement factor. For the 2022 – 2024 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 2022 – 2024 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 selected the companies that were included in the STOXX Europe 600 Telecommunications Index (with the exception of Telefónica, S.A.) as at 1 January 2022 as the peer group for measuring the relative TSR for the 2022 – 2024 tranche. Comparing the total shareholder return with other telecommunication 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 performance 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 equals 0%. If the median is reached, the TSR target achievement factor equals 30%. The TSR target achievement factor increases 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) to Telefónica Deutschland, the supervisory board also incorporated this key figure as a performance criterion in the 2022 – 2024 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 increases 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

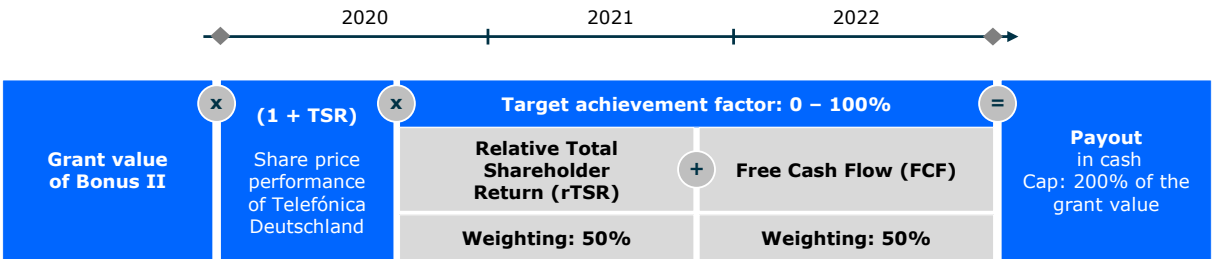
emissions through the purchase of CO₂ certificates and related projects to absorb CO₂ from the atmosphere, is expected to be achieved by 2025 according to the responsible business plan. The supervisory board has implemented this strategic goal of CO₂ neutralization in Bonus II as an additional performance 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 2024 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 2024 must be reduced by a certain percentage compared to 2015.

b) **Telefónica Deutschland Performance Share Plan (Bonus II): Tranche 2020 – 2022**

aa. **Allocation of the 2020 – 2022 tranche**

The three-year performance period of the 2020 - 2022 tranche for Bonus II ended at the end of the financial year 2022. As of 1 January 2020, the grant value was 80% of the base salary for the Chief Executive Officer, 66% for Mallik Rao and 33% for the remaining 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) depending on the achievement level of performance criteria related to Telefónica Deutschland. The payout is limited to 200% of the grant value (cap) and is made in cash.



ab. **TSR factor (1+TSR) for the 2020 – 2022 tranche**

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.

Over the plan term, the TSR came to 4.1%, resulting in a TSR factor of 104.1% for the payout calculations.

ac. **Target achievement factor and payout amounts for the 2020 – 2022 tranche**

The achievement level of the performance criteria determines the target achievement factor. For the 2020 - 2022 tranche of Bonus II, the supervisory board selected the relative total shareholder return

(rTSR) of Telefónica Deutschland compared to a peer group (50% weighting) and the free cash flow (FCF) of Telefónica Deutschland (50% weighting) as performance criteria. The sum of the weighted target achievement factors for the selected performance criteria provides the target achievement factor for the 2020 - 2022 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 selected the companies that were included in the STOXX Europe 600 Telecommunications Index (with the exception of Telefónica, S.A.) as at 1 January 2020 as the peer group for measuring the relative TSR for the 2020 - 2022 tranche. Comparing the total shareholder return with other telecommunication companies incentivises long-term competitiveness and outperformance of 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 performance 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 it reaches the median, the TSR target achievement factor is 30%. The TSR target achievement factor increases 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.

The TSR development over the performance period was in the 63.9th percentile within the peer group. This results in a target achievement factor of 68.9% for the relative TSR performance criterion.

Free Cash Flow (FCF)

In view of the importance of free cash flow (FCF) to Telefónica Deutschland, the supervisory board also incorporated this key figure into the 2020 - 2022 tranche of Bonus II as a performance criterion.

The FCF target achievement factor corresponds to the average of the annual target achievement factors, which can fall between 0% and 100% depending on achievement of annual targets for free cash flow (annual budget figures). If less than 90% of the annual target is met, the annual target achievement factor is 0%. If 90% is met, the annual target achievement factor is 50%. The annual target achievement factor increases to up to 100% if 100% or more of the annual target is met. The supervisory board determined the annual targets for free cash flow at the start of the relevant financial year.

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 2020 - 2022 tranche of Bonus II equals 84.5%:

Performance criterion	Weighting	Year	Target achievement	Target achievement factor
Relative Total Shareholder Return (rTSR)	50%	2020 - 2022	64%	68.9%
Free Cash Flow (FCF)	50%	2020	102%	100.0%
		2021	108%	100.0%
		2022	106%	100.0%
		Ø Free Cash Flow target achievement factor		100.0%
Tranche 2020 - 2022 target achievement factor				84.5%

The table below provides an overview of the key elements of the 2020 – 2022 tranche, including the payout amounts after the end of the performance period:

Bonus II tranche 2020 - 2022

	Grant value in €	TSR factor (1+TSR) in %	Target achievement factor in %	Payout amount in €
Markus Haas	616,000	104.1	84.5	541,861
Valentina Daiber	107,910			94,922
Nicole Gerhardt	105,930			93,181
Alfons Lösing	141,240			124,241
Mallik Rao	237,600			209,004
Markus Rolle	141,240			124,241

c) Deferred-Bonus-Plan (subsequent Bonus II): Tranche 2019 – 2022

The Deferred Bonus Plan is a deferred bonus that was last allocated in 2019. According to this plan, the Chief Executive Officer was promised an amount equal to 80% of his annual base salary and the other ordinary management board members an amount equal to 33% of their annual base salary as a bonus (with the exception of Mallik Rao, who did not receive an allocation). 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 allocated on 1 October 2019 and whose performance period ended on 30 September 2022 (2019 – 2022 tranche), resulted in a payout of 62.8% of the corresponding grant values, because the total shareholder return over the performance period was in the 56.4th percentile within the peer group.

Bonus II Tranche 2019 - 2022

	Grant value in €	Target achievement factor in %	Payout amount in €
Markus Haas	560,000	62.8	351,680
Valentina Daiber	99,000		62,172
Nicole Gerhardt	99,000		62,172
Alfons Lösing	132,000		82,896
Mallik Rao ¹	0		0
Markus Rolle	132,000		82,896

(1) 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.

d) Telefónica, S.A. Performance Share Plan (Bonus III): Tranche 2022 – 2024

aa. Allocation of the 2022 – 2024 tranche

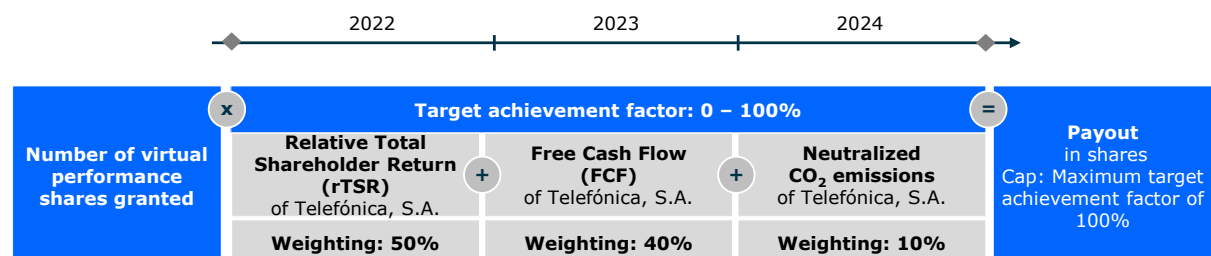
Bonus III is a Performance Share Plan of Telefónica, S.A. The 2022 – 2024 tranche of Bonus III was allocated to the management board members for 1 January 2022. Since the performance period will not

end until the end of 2024, this variable remuneration component can only be fully reported about in the remuneration report of the financial year 2024. 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 2022 - 2024

	Grant value in €	Share price at grant in €	Number of virtual performance shares granted
Markus Haas	308,000	3.8667	79,654
Valentina Daiber	107,910		27,907
Nicole Gerhardt	105,930		27,395
Alfons Lösing	141,240		36,527
Mallik Rao	118,800		30,724
Markus Rolle	141,240		36,527

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 2022 - 2024 tranche

The achievement level of the performance criteria determines the target achievement factor. For the 2022 - 2024 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 2022 - 2024 tranche.

Relative Total Shareholder Return (rTSR) of Telefónica, S.A.

A group consisting of global telecommunication companies was defined as the peer group for measuring the relative TSR for the 2022 - 2024 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 performance 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 increases 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 increases 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.

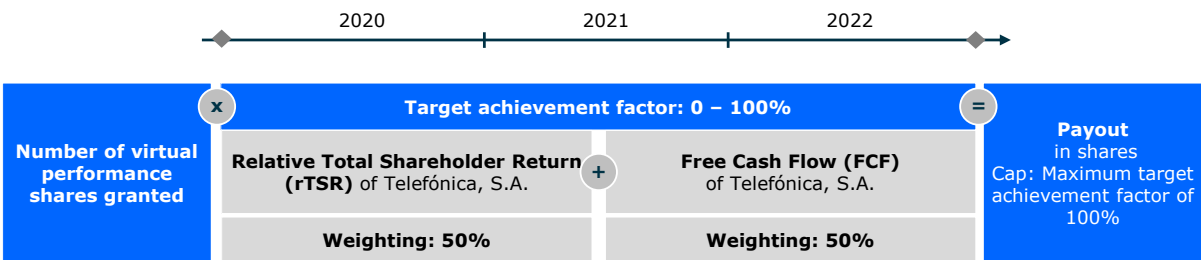
The target achievement factor for neutralized CO₂ emissions depends on how much emissions of Telefónica, S.A. were neutralized at the end of the performance period: If the target value for 2024 is met by less than 90%, the target achievement factor is 0%. If 90% is met, the target achievement factor is 50%. The target achievement factor increases 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 2024 must be reduced by a certain percentage compared to 2015.

e) [Telefónica, S.A. Performance Share Plan \(Bonus III\): Tranche 2020 – 2022](#)

aa. [Allocation of the 2020 – 2022 tranche](#)

The three-year performance period of the 2020 – 2022 tranche of Bonus III ended at the end of financial year 2022. The grant value allocated for 1 January 2020 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). 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 received 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 2020 - 2022 tranche

The achievement level of performance criteria determines the target achievement factor. For the 2020 - 2022 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 2020 - 2022 tranche.

Relative Total Shareholder Return (rTSR) of Telefónica, S.A.

A group consisting of global telecommunication companies was defined as the peer group for measuring the relative TSR for the 2020 - 2022 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 performance 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 increases 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 increases 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 2020 - 2022 tranche of Bonus III equals 50.0%:

Performance criterion	Weighting	Year	Target achievement	Target achievement factor
Relative Total Shareholder Return (rTSR)	50%	2020 - 2022	below median	0.0%
Free Cash Flow (FCF)	50%	2020	113%	100.0%
		2021	135%	100.0%
		2022	109%	100.0%
		Ø Free Cash Flow target achievement factor		100.0%
Tranche 2020 - 2022 target achievement factor				50.0%

The table below provides an overview of the key elements of the 2020 – 2022 tranche, including the number of vested shares after the end of the performance period:

Bonus III tranche 2020 – 2022

	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 30 Dec 2022 in €	Value as of 30 Dec 2022 in €¹
Markus Haas	308,000	6.6774	46,125	50.0	23,063	3.3850	78,067
Valentina Daiber	107,910		16,160		8,080		27,351
Nicole Gerhardt	105,930		15,863		7,932		26,848
Alfons Lösing	141,240		21,151		10,576		35,798
Mallik Rao	0		0		0		0
Markus Rolle	141,240		21,151		10,576		35,798

(1) Preliminary value as of 30 December 2022 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

f) 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 financial year 2019, vested at the end of the financial year 2021 (tranche 2019 – 2021), and which was settled by Telefónica, S.A. in the financial year 2022. Accordingly, the holding period for 2,456 shares of the 9,822 shares vested for Markus Haas after taxes from the tranche 2019 – 2021 ended at the end of the financial year 2022.

g) 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 second half of the virtual shares expired on 31 December 2022. As Mallik Rao was in continued active employment and no further requirements were established, 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	100%	11,990	3.5500	42,564

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

(2) The shares with a term until 31 December 2022 were transferred to Mallik Rao's stock account as of 10 January 2023.

h) 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 current employee participation program runs from October 2022 until March 2024. During the first year, participants invest a monthly sum of between EUR 25 and EUR 150 to buy shares in Telefónica, S.A. at the relevant market price. This first year is followed by a holding period of half a year. At the end of the holding period, participants receive one share in Telefónica, S.A. free of charge for each share purchased. In addition to this free share, the participants receive 100 additional shares free of charge to celebrate the centennial anniversary of Telefónica, S.A.

Management board members Mr Markus Haas, Mr Alfons Lösing, Mr Mallik Rao and Mr Markus Rolle are participating in the current tranche with an investment of EUR 150 each per month. As the assessment period does not conclude until 2024, full and conclusive reporting on this variable remuneration component will only be possible in the remuneration report for 2024.

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 employment contracts concluded or renewed in 2022 include both malus and clawback provisions for the total variable remuneration.

In the financial year 2022, 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.

No severance payments were agreed or paid in financial year 2022.

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 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 newly concluded or renewed management board employment contracts in 2022 include these offsetting measures.

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 members active as of 31 December 2022

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 who were members as of 31 December 2022.

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

The following tables present the remuneration awarded and due 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 during the financial year or afterwards.

In the disclosure for financial year 2022, these are:

- the base salary paid out in the financial year 2022,
- the fringe benefits accrued for the financial year 2022,
- the Bonus I calculated for the financial year 2022, which will be paid in the financial year 2023,
- the amount from the Deferred Bonus Plan (subsequent Bonus II) granted in the financial year 2019 and calculated in the financial year 2022, which was paid in the financial year 2022,
- the Bonus II granted in the financial year 2020 and calculated at the end of the financial year 2022, to be paid out in the financial year 2023,
- the Bonus III granted in the financial year 2020 and calculated at the end of the financial year 2022, to be paid out in the financial year 2023 by Telefónica, S.A.,
- the shares vested under the Restricted Share Plan of Telefónica, S.A. at the end of the financial year 2022.

In addition, the service cost for the pension commitments under IAS 19 are stated for the financial year 2022. 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			
	2022		2021		2022		2021	
	in k€	in %	in k€	in %	in k€	in %	in k€	in %
Fixed salary	770	29	770	45	327	42	327	53
Fringe benefits	12	0	11	1	21	3	21	3
One-year variable remuneration	878	33	867	50	242	31	239	39
Bonus I 2021	-	-	867	-	-	-	239	-
Bonus I 2022	878	-	-	-	242	-	-	-
Multi-year variable remuneration	972	37	72	4	184	24	25	4
Bonus II 2018 - 2021	-	-	0	-	-	-	0	-
Bonus II 2019 - 2022	352	-	-	-	62	-	-	-
Bonus II 2020 - 2022	542	-	-	-	95	-	-	-
PSP / Bonus III 2019 - 2021 ¹	-	-	71	-	-	-	25	-
PSP / Bonus III 2020 - 2022 ²	78	-	-	-	27	-	-	-
RSP 2020 - 2021/2022	-	-	-	-	-	-	-	-
Employee participation program	-	-	1	-	-	-	-	-
Total remuneration according to § 162 AktG	2,632	100	1,720	100	774	100	612	100
Pension service cost	157	-	158	-	67	-	67	-
Total remuneration (including pension service cost)	2,789	-	1,878	-	841	-	679	-

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			
	2022		2021		2022		2021	
	in k€	in %	in k€	in %	in k€	in %	in k€	in %
Fixed salary	321	42	321	53	428	41	428	51
Fringe benefits	24	3	23	4	55	5	62	7
One-year variable remuneration	238	31	235	39	317	30	313	37
Bonus I 2021	-	-	235	-	-	-	313	-
Bonus I 2022	238	-	-	-	317	-	-	-
Multi-year variable remuneration	182	24	25	4	243	23	33	4
Bonus II 2018 - 2021	-	-	0	-	-	-	0	-
Bonus II 2019 - 2022	62	-	-	-	83	-	-	-
Bonus II 2020 - 2022	93	-	-	-	124	-	-	-
PSP / Bonus III 2019 - 2021 ¹	-	-	25	-	-	-	33	-
PSP / Bonus III 2020 - 2022 ²	27	-	-	-	36	-	-	-
RSP 2020 - 2021/2022	-	-	-	-	-	-	-	-
Employee participation program	-	-	-	-	-	-	-	-
Total remuneration according to § 162 AktG	765	100	604	100	1,044	100	836	100
Pension service cost	66	-	66	-	74	-	80	-
Total remuneration (including pension service cost)	831	-	670	-	1,118	-	917	-

Remuneration awarded and due in the financial year

	Mallik Rao Chief Technology and Information Officer since 15 Oct 2019				Markus Rolle Chief Financial Officer since 01 Aug 2017			
	2022		2021		2022		2021	
	in k€	in %	in k€	in %	in k€	in %	in k€	in %
Fixed salary	360	35	360	43	428	42	428	53
Fringe benefits	159	15	162	19	31	3	29	4
One-year variable remuneration	267	26	263	32	317	31	313	39
Bonus I 2021	-	-	263	-	-	-	313	-
Bonus I 2022	267	-	-	-	317	-	-	-
Multi-year variable remuneration	252	24	48	6	243	24	33	4
Bonus II 2018 - 2021	-	-	-	-	-	-	0	-
Bonus II 2019 - 2022	-	-	-	-	83	-	-	-
Bonus II 2020 - 2022	209	-	-	-	124	-	-	-
PSP / Bonus III 2019 - 2021 ¹	-	-	-	-	-	-	33	-
PSP / Bonus III 2020 - 2022 ²	-	-	-	-	36	-	-	-
RSP 2020 - 2021/2022	43	-	48	-	-	-	-	-
Employee participation program	-	-	-	-	-	-	-	-
Total remuneration according to § 162 AktG	1,038	100	833	100	1,019	100	803	100
Pension service cost	74	-	1	-	88	-	88	-
Total remuneration (including pension service cost)	1,111	-	834	-	1,107	-	891	-

(1) Value as of 31 December 2021 (share price of EUR 3.8520), because at the time the report for 2021 was prepared, the shares had not yet been transferred to the respective stock account, i.e., the final value of the shares was not yet available. The share transfer took place on 1 April 2022 (share price of EUR 4.3885). Value upon transfer: Markus Haas EUR 81k, Valentina Daiber EUR 29k, Nicole Gerhardt EUR 29k, Alfons Lösing EUR 38k, Markus Rolle EUR 38k.

(2) Preliminary value as of 30 December 2022 since the shares had not yet been transferred to the respective stock account at the time the report for 2022 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 financial year 2022 and, for better comparability, for the financial year 2021 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	
	2022 in k€	2021 in k€	2022 in k€	2021 in k€	2022 in k€	2021 in k€
Fixed salary	770	770	327	327	321	321
Fringe benefits	12	11	21	21	24	23
One-year variable remuneration	770	770	213	213	209	209
Bonus I 2021	-	770	-	213	-	209
Bonus I 2022	770	-	213	-	209	-
Multi-year variable remuneration	924	924	216	216	212	212
Bonus II 2021 - 2023	-	616	-	108	-	106
Bonus II 2022 - 2024	616	-	108	-	106	-
PSP / Bonus III 2021 - 2023	-	308	-	108	-	106
PSP / Bonus III 2022 - 2024	308	-	108	-	106	-
Pension service cost	157	158	67	67	66	66
Total remuneration	2,634	2,633	843	843	831	830

Target remuneration

	Alfons Lösing Chief Partner and Wholesale Officer since 01 Aug 2017		Mallik Rao Chief Technology and Information Officer since 15 Oct 2019		Markus Rolle Chief Financial Officer since 01 Aug 2017	
	2022 in k€	2021 in k€	2022 in k€	2021 in k€	2022 in k€	2021 in k€
Fixed salary	428	428	360	360	428	428
Fringe benefits	55	62	159	162	31	29
One-year variable remuneration	278	278	234	234	278	278
Bonus I 2021	-	278	-	234	-	278
Bonus I 2022	278	-	234	-	278	-
Multi-year variable remuneration	282	282	238	238	282	282
Bonus II 2021 - 2023	-	141	-	119	-	141
Bonus II 2022 - 2024	141	-	119	-	141	-
PSP / Bonus III 2021 - 2023	-	141	-	119	-	141
PSP / Bonus III 2022 - 2024	141	-	119	-	141	-
Pension service cost	74	80	74	1	88	88
Total remuneration	1,118	1,131	1,065	995	1,107	1,105

3.6. Remuneration of management board members resigning in financial year 2022

The supervisory board has agreed with Wolfgang Metze on an early resignation from office at the end of 1 June 2022. Wolfgang Metze will receive neither a severance payment nor any compensation from a post-contractual non-compete covenant. Instead, his service contract will regularly expire at the end of 31 July 2023. Until this date, Wolfgang Metze will continue to receive his fixed remuneration components, i.e., the monthly rate of the fixed annual salary will continue to be paid without reduction, the fringe benefits will in principle continue to be granted and the participation in the pension plan will continue.

The variable remuneration components will be settled in accordance with the respective plan conditions. The one-year variable remuneration (Bonus I) and the participation in the 2020 – 2022, 2021 – 2023, 2022 – 2024 and 2023 – 2025 tranches of the Telefónica Deutschland Performance Share Plan (Bonus II) will be calculated based on the actual target achievement and in accordance with the standard due dates. The measurement of the target achievement draws on the same performance criteria and other performance parameters (weighting, target values, target achievement curves) that are used for the remaining management board members of the company. The Bonus I established for the financial year 2022, which will be paid in financial year 2023, equals EUR 323,076 and is calculated by multiplying the target amount of EUR 283,400 with the target achievement factor of 114.0%. Bonus II, which was granted in financial year 2020 and calculated at the end of financial year 2022 and is to be paid out in financial year 2023, equals EUR 126,563 and is calculated by multiplying the grant value of EUR 143,880 with the TSR factor of 104.1% and the target achievement factor of 84.5%. Due to the interim expiry of the service contract, Bonus I for the financial year 2023 and the allocation of the 2023 – 2025 tranche of Bonus II will be calculated on a pro rata temporis basis in relation to the calendar year 2023.

Wolfgang Metze was also a participant in the Deferred Bonus Plan (subsequent Bonus II) with the tranche 2019 – 2022. In accordance with the plan conditions, Wolfgang Metze received a premature payment of EUR 95,351 after resigning from the management board. This amount is calculated by multiplying the grant value of EUR 132,000 with a target achievement factor of 81.2% and a time-based vesting of 88.96% on 1 June 2022 (prorated calculation in relation to the plan term from 1 October 2019 to 30 September 2022). For the calculation of the target achievement factor, the same performance criterion—the total shareholder return of Telefónica Deutschland Holding AG relative to the DAX 30 companies—and the same target achievement curve are used that also apply to the remaining management board members of the company. However, the valuation date is not 30 September 2022, it is 31 March 2022, i.e., the last day of the quarter before resigning from the management board. At this time, the total shareholder return of Telefónica Deutschland Holding AG was in the 65.6th percentile within the peer group, which implies a target achievement factor of 81.2% in accordance with the target achievement curve.

Moreover, claims from the outstanding 2020 – 2022 and 2021 – 2023 tranches of the Telefónica, S.A. Performance Share Plan (Bonus III) were prematurely settled in accordance with the plan conditions. After resigning from the management board, Wolfgang Metze received a premature cash payment of EUR 29,280 for the 2020 – 2022 tranche. This amount is calculated by multiplying 21,547 granted virtual performance shares with a target achievement factor of 33.3%, a time-based vesting of 80.57% on 1 June 2022 (prorated calculation in relation to the plan term from 1 January 2020 to 31 December 2022) and a share price of Telefónica, S.A. of EUR 5.06 on 31 May 2022, i.e., the last day of the month before resigning from the management board. To calculate the number of virtual performance shares, the grant value of EUR 143,880 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 (EUR 6.6774). The calculation of the target achievement factor draws on the same performance criteria (relative TSR and free cash flow of Telefónica, S.A.) and other performance parameters (weighting, target values, target achievement curves) that are used for the remaining management board members. However, the valuation date is different. For the relative TSR, the result on 31 May 2022, i.e., the last day of the month before resigning from the management board, is decisive. At this time, the total shareholder return of Telefónica, S.A. within the peer group was below the median. This results in a target achievement factor of 0.0% for the relative TSR performance criterion. For the free cash flow performance criterion, however, an average target achievement factor of 66.7% was achieved. This takes into consideration the target achievement factor of in each case 100.0% for the years 2020 and 2021 and 0.0% for the year 2022, as the result for 2022 was not yet available at the time of resigning from the management board. Based on the equally weighted target achievement factors for relative TSR and free cash flow, the aggregated target achievement factor amounts to 33.3%.

For the 2021 – 2023 tranche of the Telefónica, S.A. Performance Share Plan, Wolfgang Metze obtained a premature cash payment of EUR 97,741 in accordance with the plan conditions. This amount is calculated by multiplying 40,912 granted virtual performance shares with a target achievement factor of 100.0%, a time-based vesting of 47.21% on 1 June 2022 (prorated calculation in relation to the plan term from 1 January 2021 to 31 December 2023) and a share price of Telefónica, S.A. of EUR 5.06 on 31 May 2022, i.e., the last day of the month before resigning from the management board. To calculate the number of virtual performance shares, the grant value of EUR 143,880 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 (EUR 3.5168). The calculation of the target achievement factor draws on the same performance criteria with the same weighting that are used for the above-described 2022 – 2024 tranche of the Telefónica, S.A. Performance Share Plan: relative TSR (50%), free cash flow (40%), and neutralized CO₂ emissions (10%) of Telefónica, S.A. The target achievement curves are also in accordance with those used for the 2022 – 2024 tranche. In accordance with the plan conditions, for the relative TSR, the result on 31 May 2022, i.e., the last day of the month before resigning from the management board, is decisive. At this time, the total shareholder return of Telefónica, S.A. within the peer group was above the third quartile. This results in a target achievement factor of 100.0% for the relative TSR performance criterion.

For the free cash flow performance criterion, a target achievement factor of 100.0% was achieved. This takes into consideration only the target achievement factor of 100.0% for the year 2021, as the results for the years 2022 and 2023 were not yet available at the time of resigning from the management board. With regard to the performance criterion of the CO₂ emissions, the target achievement factor is calculated only based on the last available result for the reduction of gross emissions in case of a premature settlement of the plan. As the gross emissions in the year 2021 fell short of the threshold value set for 2021, the target achievement factor for this criterion also amounts to 100.0%. Taking the target achievement factors for the three performance criteria as a basis, this results in an aggregated target achievement factor of 100.0%.

Due to the premature resigning from the management board, allocations from the 2022 – 2024 and 2023 – 2025 tranches of the Telefónica, S.A. Performance Share Plan expired in accordance with the plan conditions.

The following table shows the remuneration awarded and due to Wolfgang Metze for the financial year 2022 in accordance with section 162 AktG. As with the other management board members, 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 during the financial year or afterwards. As a result, the table already shows the fixed salary and fringe benefits that will be paid in 2023, as well as the early payment already made from the 2021 – 2023 tranche of the Telefónica, S.A. Performance Share Plan (PSP/Bonus III 2021 – 2023). By contrast, the one-year variable remuneration for the financial year 2023 (Bonus I 2023) and the remaining tranches of Bonus II (tranches 2021 – 2023, 2022 – 2024 and 2023 – 2025) will not be finally reported until the respective performance period has concluded.

Remuneration awarded and due in the financial year

Wolfgang Metze Chief Consumer Officer from 01 Aug 2017 until 01 Jun 2022				
	2022		2021	
	in k€	in %	in k€	in %
Fixed salary 2022	436	30	436	51
Fixed salary 2023	254	18	-	-
Fringe benefits 2022	58	4	69	8
Fringe benefits 2023	16	1	-	-
One-year variable remuneration	323	22	319	37
Bonus I 2021	-	-	319	-
Bonus I 2022	323	-	-	-
Multi-year variable remuneration	349	24	33	4
Bonus II 2018 - 2021	-	-	0	-
Bonus II 2019 - 2022	95	-	-	-
Bonus II 2020 - 2022	127	-	-	-
PSP / Bonus III 2019 - 2021 ⁽¹⁾	-	-	33	-
PSP / Bonus III 2020 - 2022	29	-	-	-
PSP / Bonus III 2021 - 2023	98	-	-	-
RSP 2020 - 2021/2022	-	-	-	-
Employee participation program	-	-	-	-
Total remuneration according to § 162 AktG	1,436	100	857	100
Pension service cost	89	-	89	-
Total remuneration (including pension service cost)	1,525	-	947	-

(1) Value as of 31 December 2021 (share price of EUR 3.8520), because at the time the report for 2021 was prepared, the shares had not yet been transferred to the stock account, i.e., the final value of the shares was not yet available. The share transfer took place on 1 April 2022 (share price of EUR 4.3885). Value upon transfer: EUR 38k

3.7. Remuneration of former members of the management board

In the financial year 2022, the remuneration awarded and due for former management board member Cayetano Carbajo Martin (Chief Technology Officer until 8 November 2019) was EUR 42,640 (2021: EUR

21,419¹). This amount resulted from participation in the Deferred Bonus Plan (deferred Bonus II), which was allocated in 2019 and whose performance period ended in the financial year 2022 (the 2019 - 2022 tranche). The tranche is calculated in accordance with the plan conditions based on the actual target achievement and the standard due date (30 September 2022). For the calculation of the target achievement factor of 62.8%, the same performance criterion—the total shareholder return of Telefónica Deutschland Holding AG relative to the DAX 30 companies—and the same target achievement curve are used that also apply to the remaining management board members of the company.

In addition, five former members of the management board or former members of management received pension payments in the following amounts: (1) EUR 221,654, (2) EUR 40,265, (3) EUR 100,521, (4) EUR 6,177, and (5) EUR 21,492. 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 2012.

¹ The amount resulted from the granting of shares due to the participation in a multi-year variable remuneration program of Telefónica, S.A. (PSP/Bonus IIII 2019 – 2021). The specified value is the value of the shares as of 31 December 2021 (share price of EUR 3,8520), because at the time the report for 2021 was prepared, the shares had not yet been transferred to the stock account, i.e., the final value of the shares was not yet available. The share transfer took place on 1 April 2022 (share price of EUR 4,3885). Value upon transfer: EUR 24k

IV. Remuneration of the supervisory board in financial year 2022

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.

Ordinary member of the supervisory board	Vice-chairperson of the supervisory board	Chairperson of the supervisory board
EUR 30,000.00 p.a.	EUR 50,000.00 p.a.	EUR 100,000.00 p.a.

The chairpersons and the members of the committees of the supervisory board, which meet regularly (audit committee and remuneration committee, related party transactions committee (RPTC) and nomination committee), shall receive a separate committee remuneration as a fixed fee 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 and the RPTC receive an additional EUR 7,500.00 per annum, while the chairperson of the remuneration committee and the chairperson of the RPTC receive an additional EUR 13,000.00 per annum. The chairperson of the nomination committee receives an additional EUR 6,000.00 per year, and the regular members EUR 3,000.00 each per year. The chairperson and members of the mediation committee receive EUR 1,000.00 each for participating in meetings of the mediation committee. The mediation committee did not meet in the reporting period.

Committee	Ordinary member	Chairperson
Audit committee	+ EUR 10,000.00 p.a.	+ EUR 45,000.00 p.a. ¹
Remuneration committee	+ EUR 7,500.00 p.a.	+ EUR 13,000.00 p.a.
Related party transactions committee	+ EUR 7,500.00 p.a.	+ EUR 13,000.00 p.a.
Nomination committee	+ EUR 3,000.00 p.a.	+ EUR 6,000.00 p.a.
Mediation committee	+ EUR 1,000.00 per meeting attended	+ EUR 1,000.00 per meeting attended

(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 if applicable. 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 2022 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 2022.

Remuneration of the Supervisory Board										
	2022					2021				
	Fixed remuneration		Committee remuneration		Total remuneration	Fixed remuneration		Committee remuneration		Total remuneration
	in k€	in %	in k€	in %		in k€	in %	in k€	in %	
Peter Löscher ¹ Chairman Member since 01 April 2020	100	84	19	16	119	100	100	–	–	100
Jaime Smith Basterra ² Member since 04 January 2022	30	94	2	6	32	–	–	–	–	–
Christoph Braun Deputy chairman Member since 01 July 2016	50	87	8	13	58	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	–	–	–	–	–	–	–	–	–	–
María García-Legaz Ponce Member since 07 June 2018	–	–	–	–	–	–	–	–	–	–
Ernesto Gardelliano 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 ³ Member since 05 October 2012	30	31	66	69	96	30	34	58	66	88
Julio Linares López Member since 16 October 2017	30	100	–	–	30	30	100	–	–	30
Stefanie Oeschger ⁴ Member since 03 October 2020	30	83	6	17	36	30	100	–	–	30
Thomas Pfeil Member since 03 June 2013	30	63	18	37	48	30	75	10	25	40
Joachim Rieger ⁵ Member since 31 October 2014	30	100	–	–	30	30	100	–	–	30
Dr. Jan-Erik Walter ⁶ Member since 03 June 2013	30	69	14	31	44	30	80	8	20	38
Claudia Weber Member since 03 June 2013	30	80	8	20	38	30	80	8	20	38

(1) Chairman of the Related Party Transactions Committee, Nomination Committee, and Mediation Committee

(2) Jaime Smith Basterra was elected as a member of the Nomination Committee on 19 May 2022 with immediate effect.

(3) Chairman of the Audit Committee and Remuneration Committee

(4) Stefanie Oeschger was elected as a member of the Audit Committee on 19 May 2022 with immediate effect.

(5) 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 TCFS Potsdam GmbH a remuneration of EUR 247 in 2022 (2021: EUR 2,232).

(6) Dr. Jan-Erik Walter was elected as a member of the Audit Committee on 19 May 2022 with immediate effect.

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

	2022	2021	Change 2022/2021	Change 2021/2020
	in k€	in k€	in %	in %
As at 31 December 2022				
active members of the Management Board				
Markus Haas	2,632	1,720	53.0	6.2
Valentina Daiber	774	612	26.5	10.3
Nicole Gerhardt	765	604	26.6	8.9
Alfons Lösing	1,044	836	24.8	8.4
Mallik Rao	1,038	833	24.6	11.4
Markus Rolle	1,019	803	26.9	10.0
As at 31 December 2022				
former members of the Management Board				
Cayetano Carbajo Martín (until 08 November 2019)	43	21	99.1	-5.5
Wolfgang Metze (until 01 June 2022)	1,436	857	67.5	12.7
As at 31 December 2022				
active members of the Supervisory Board				
Peter Löscher	119	100	19.0	35.2
Jaime Smith Basterra	32	-	-	-
Christoph Braun	58	50	15.0	0.0
Martin Butz	40	40	0.0	0.0
Pablo de Carvajal González	-	-	-	-
María García-Legaz Ponce	-	-	-	-
Ernesto Gardelliano	-	-	-	-
Cansever Heil	30	30	0.0	0.0
Christoph Heil	30	30	0.0	0.0
Michael Hoffmann	96	88	8.5	12.1
Julio Linares López	30	30	0.0	0.0
Stefanie Oeschger	36	30	20.7	306.7
Thomas Pfeil	48	40	18.8	0.0
Joachim Rieger	30	30	0.0	0.0
Dr. Jan-Erik Walter	44	38	16.6	0.0
Claudia Weber	38	38	0.0	0.0
Employees				
Average	91	82	10.9	0.5
Earnings performance				
Telefónica Deutschland Group: Operating income before depreciation and amortisation (OIBDA), adjusted for exceptional effects (in EUR million)	2,539	2,411	5.3	3.9
Telefónica Deutschland Holding AG: Loss according to HGB (in EUR million)	(14)	(37)	62	(>100%)

Telefónica Deutschland Holding AG

For the Management Board

Markus Haas
CEO

Markus Rolle

Nicole Gerhardt

Mallik (Yelamate Mallikarjuna) Rao

For the Supervisory Board

Peter Löscher
Chairman of the Supervisory Board

Valentina Daiber

Alfons Lösing

Auditor's Report

To Telefónica Deutschland Holding AG, München

We have audited the remuneration report of Telefónica Deutschland Holding AG, München, for the financial year from January 1, 2022 to December 31, 2022 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Telefónica Deutschland Holding AG are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board 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 responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1, 2022 to December 31, 2022, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Telefónica Deutschland Holding AG. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Munich, March 24, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Lutz
Wirtschaftsprüfer
(German Public Auditor)

ppa. Annika Sicking
Wirtschaftsprüfer
(German Public Auditor)