

Temporary Financial Investments Policy

Fundación Telefónica

Approved by Fundación Telefónica's Board of Trustees at their meeting
on 27th January 2010

2nd Edition – December 2019

Summary of modifications

Edition	Changes
1.0	Preparation of the policy
2.0	The “Code of Conduct on Temporary Financial Investments in the Securities Market” is updated, in accordance with the provisions of the Code of conduct regarding the making of temporary financial investments in the securities market by non-profit entities, agreed by the National Securities Market Commission’s (CNMV) Board in February 2019

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1. Memorandum

The purpose of this Policy is to establish guidelines for the making of temporary financial investments, in accordance with the principles and recommendations set out in the *Code of conduct regarding the making of temporary financial investments in the securities market by non-profit entities*, agreed by the Board of the National Securities Market Commission on 20th February 2019 (hereinafter "Code of Conduct").

2. Scope of application

This Policy shall apply to Fundación Telefónica's temporary financial investments in financial instruments subject to supervision by the National Securities Market Commission.

3. Definitions

Temporary financial investments: All investments in financial instruments are considered to be temporary financial investments, with the exception of the following:

- Investments that are subject to restrictions on free disposal by virtue of the founding title, the entity's articles of association or the applicable regulations.
- The part of the entity's assets that comes from contributions made by the founder, by donors or by associates subject to non-disposal requirements or with a vocation of permanence.

Financial instruments: Financial instruments are considered to be those listed in the Financial Instruments Annex to the Securities Market Law, to which its Article 2 refers.

4. Investment selection

For the selection of the aforementioned financial investments, the **security, liquidity and profitability** offered by the different investment possibilities shall be assessed in all cases, ensuring that there is the necessary balance between these three objectives and taking into account the market conditions at the time of contracting. The following principles shall be respected in the selection of financial investments:

- **Consistency:** The investment strategy should be consistent with the profile and duration of liabilities and cash flow projections.
- **Security:** It involves assessing the payback of the investment at maturity or, if not, when it is decided to sell it over the expected time horizon.

- **Liquidity:** As a general rule, it should be invested in sufficiently liquid financial instruments. Investment in securities traded on regulated markets or multilateral trading facilities and investment in European harmonised collective investment undertakings with daily redemption (UCITS) or equivalent are particularly appropriate in this respect. The depth of the market for the relevant securities or financial instruments should be taken into account when investing, considering their regular trading.
- **Profitability:** It involves assessing the ability to generate a surplus for the risk assumed by the investment.
- **Diversification:** Diversification of investment risks shall be sought by selecting a portfolio composed of a plurality of uncorrelated assets, from different issuers and with different risk characteristics.
- **Preservation of capital:** Investments made shall in any case give special importance to the preservation of capital.
- **Non speculation:** Operations that are purely speculative in their use of financial resources shall be avoided. In the event that they are carried out, the following operations, which are listed below for illustrative and non-limiting purposes only, should be the subject of special explanation:
 - Intraday operations.
 - Transactions in derivatives markets that do not serve a hedging purpose.
 - Short sales that do not serve a hedging purpose.
 - Financial contracts for differences.
- **Ethical and moral values:** The issuers of investments will be assessed on the basis of the principles of social justice, solidarity, respect for human rights and protection of the environment.

5. Investment management

The management and administration of the financial investments that are the subject of this Policy shall be carried out responsibly and efficiently, and in accordance with the following procedure:

1. **Investment decisions:** The Board of Trustees of the Foundation is responsible for taking the appropriate decisions in relation to the financial investments provided for in this Policy. Although the members of the Board of Trustees have sufficient technical knowledge in this area, they may, in any case, be advised by the Corporate Finance Department of the Telefónica Group.

2. **Execution of investment orders:** The chief executive officer of the Foundation, or the person expressly empowered for this purpose, is responsible for the execution of investment orders, whether purchases, subscriptions, sales or redemptions, previously agreed by the Board of Trustees.
3. **Management:** The management of financial investments shall be carried out through intermediaries of the financial system with proven solvency and security.
4. **Documentation of operations:** All transactions subject to this Policy shall be documented by the chief executive officer of the Foundation.
5. **Annual report:** The Annual Accounts of the Foundation shall include an Annual Report on the degree of compliance with this Policy, in which it shall report, with transparency and clarity, on the operations carried out during the year and, in particular, those that have departed from the recommendations contained herein.

6. Entry into force

This Policy shall enter into force on the day following its approval by the Board of Trustees of Fundación Telefónica.

