

Changes to the SL Mobile Diversified Growth Fund in the DC Section of the Telefónica UK Pension Plan

What is the SL Mobile Diversified Growth Fund?

The SL Mobile Diversified Growth Fund has been designed by the Trustee specifically for the Plan and has an objective to provide long term growth, but with lower volatility than investing purely in equities. The underlying investments in the Fund are selected by the Trustee and can change from time to time.

The Fund is used within the growth phase of the Plan's current default investment option and alternative Lifestyle options and also as a Selfstyle fund.

Why has the Trustee made the change?

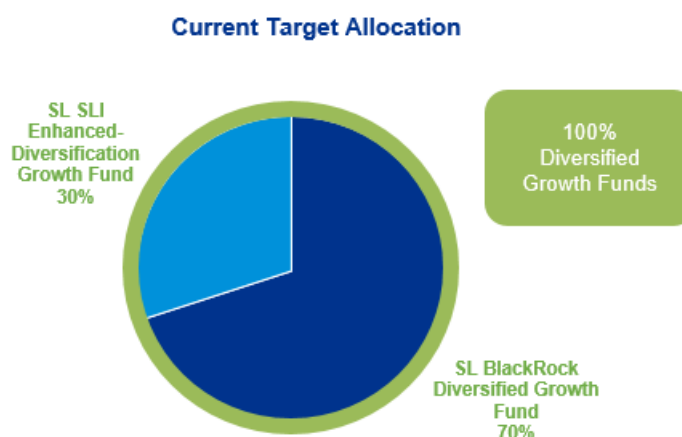
The Trustee, with its investment advisers, has undertaken a review of the SL Mobile Diversified Growth Fund. Following the review, the Trustee has decided to:

1. Increase the objective of the SL Mobile Diversified Growth Fund to target a higher investment return, by introducing an explicit investment in equities which will be invested on a global basis including emerging markets equities. **The Trustee believes that members can tolerate a higher level of risk in the growth phase, with a view to producing a higher expected return on average.**
2. Incorporate Environmental, Social and Governance (ESG) considerations through investment in funds which invest more in companies with more positive ESG characteristics. **The Trustee believes in an active approach to ESG factors and this approach is intended to help generate sustainable returns in the future as well as leading to better management of investment risk.**
3. Incorporate factor-based investment, which looks to invest more in companies with certain characteristics in an attempt to produce higher returns than by just following the equity market. **The Trustee believes that by investing more in companies which exhibit certain factor characteristics it may outperform the market.**

These changes will also result in a reduction in the charges for the SL Mobile Diversified Growth Fund and this was a key consideration for the Trustee.

What are the current underlying funds in the SL Mobile Diversified Growth Fund?

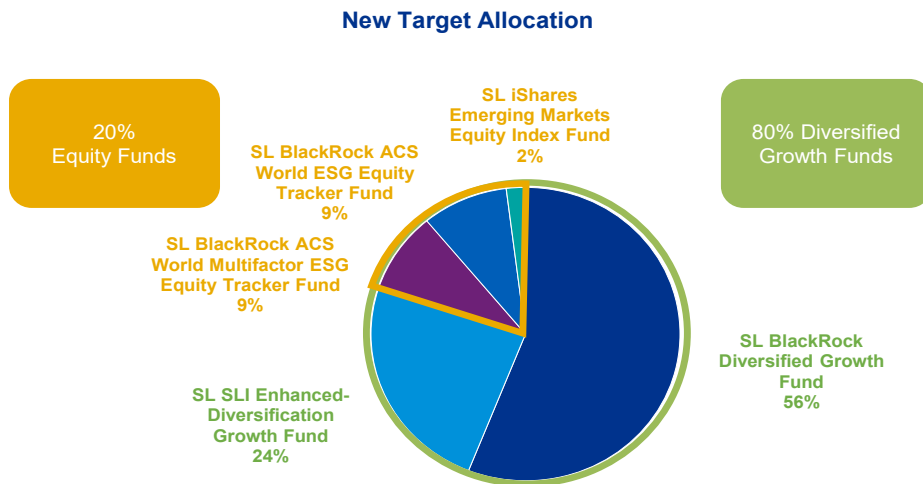
The SL Mobile Diversified Growth Fund currently invests 100% in two diversified growth funds which are detailed in the chart below.



Source: KPMG

What are the underlying funds in the SL Mobile Diversified Growth Fund?

After the changes have been made, the SL Mobile Diversified Growth Fund will invest 80% in the same diversified growth funds which it currently invests in, along with a 20% allocation to equity funds. Details of the future target allocation are provided below.



Source: KPMG

When are the changes happening?

The underlying equity funds will be phased into the SL Mobile Diversified Growth Fund over an 18 month period from January 2020, in order to manage the associated transaction costs. The final target allocation is expected to be reached in July 2021.

Are there any costs for the changes?

The Trustees have chosen to phase the changes to manage the associated transaction costs. The aim of this approach is to reduce the amount of switches out of the underlying diversified growth funds into the new underlying equity funds, although some switches will still be required.

You should be aware that any investment switch may involve some indirect costs, as a result of costs incurred when assets are bought or sold in the markets. These costs are not explicit fees as such, and are allowed for in the calculation of the price at which units in the funds are traded.

How do the charges compare?

The current charges for the SL Mobile Diversified Growth Fund are **0.69% p.a.** Following the changes, the charges for the SL Mobile Diversified Growth Fund will reduce to **0.62% p.a.**

During the phasing period the charges for the SL Mobile Diversified Growth Fund will be **between 0.62% p.a. and 0.69% p.a.**

It should be noted that charges can change over time. It is also worth noting that the Trustee may choose to change the underlying funds used in the investment options in the future.

Where can I find out more?

Visit the Plan's website at www.telefonicapensions.com for more details about the Plan and all the options available to you. You can also find relevant contact details, as well as information on how to find an independent financial adviser. You may decide to speak to a financial adviser if you are unsure on any decisions in relation to your investment choices. You will be responsible for any charges associated with obtaining such advice. You should be aware that any returns on funds depends on performance and charges, which means that returns can go down as well as up.