



ESG Highlights

2022 Consolidated Report

March 2023

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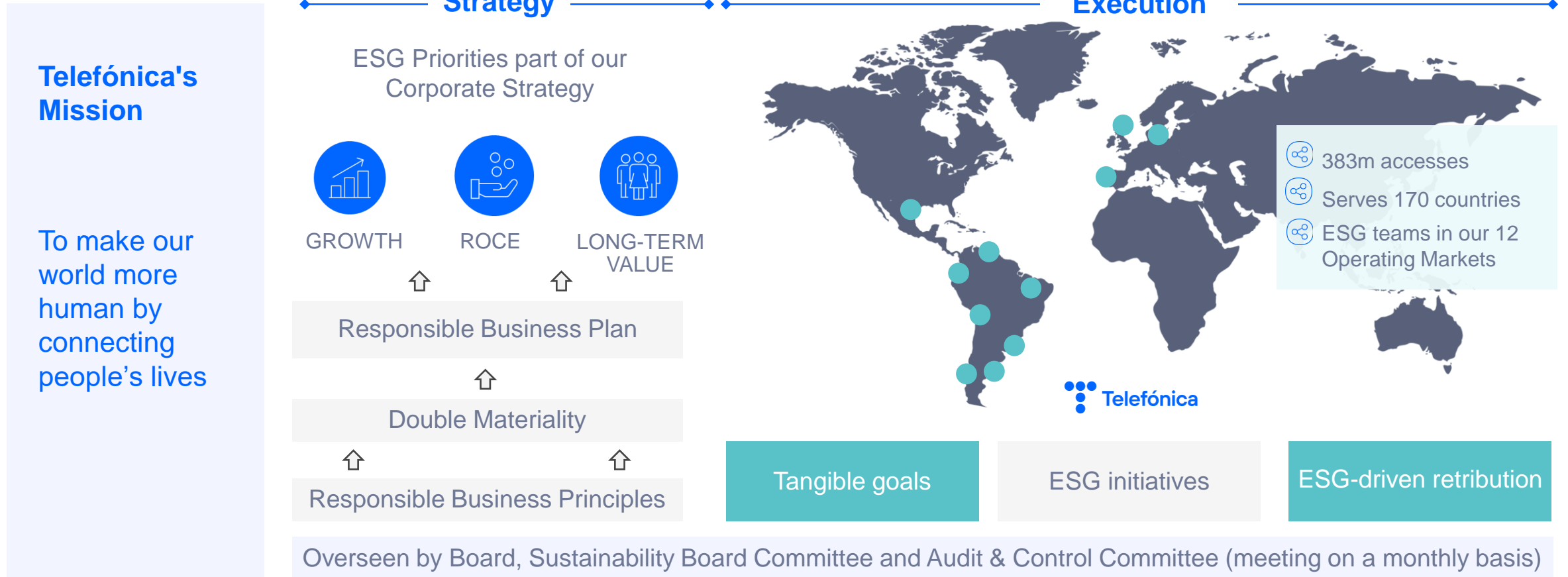
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Introduction ESG at Telefónica



→ ESG at the core of the organization



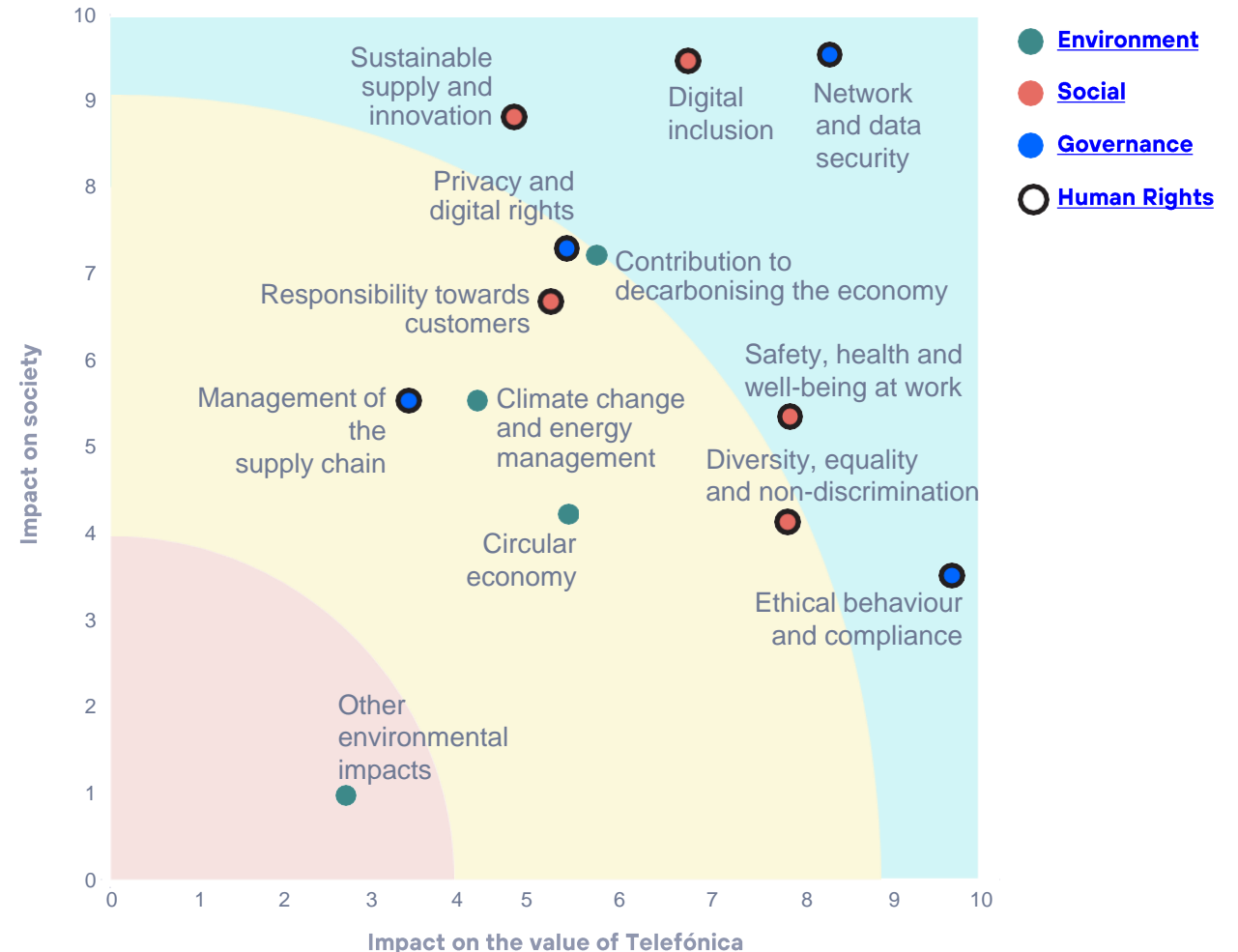
→ Double materiality assessment as a determining element of our strategy

Double materiality enables us to identify those sustainability issues that most impact the Company's value and those activities that most affect society and the environment



In 2022 we updated the matrix to identify and prioritize key issues aligned with EFRAG¹ recommendations and our stakeholders' interests.

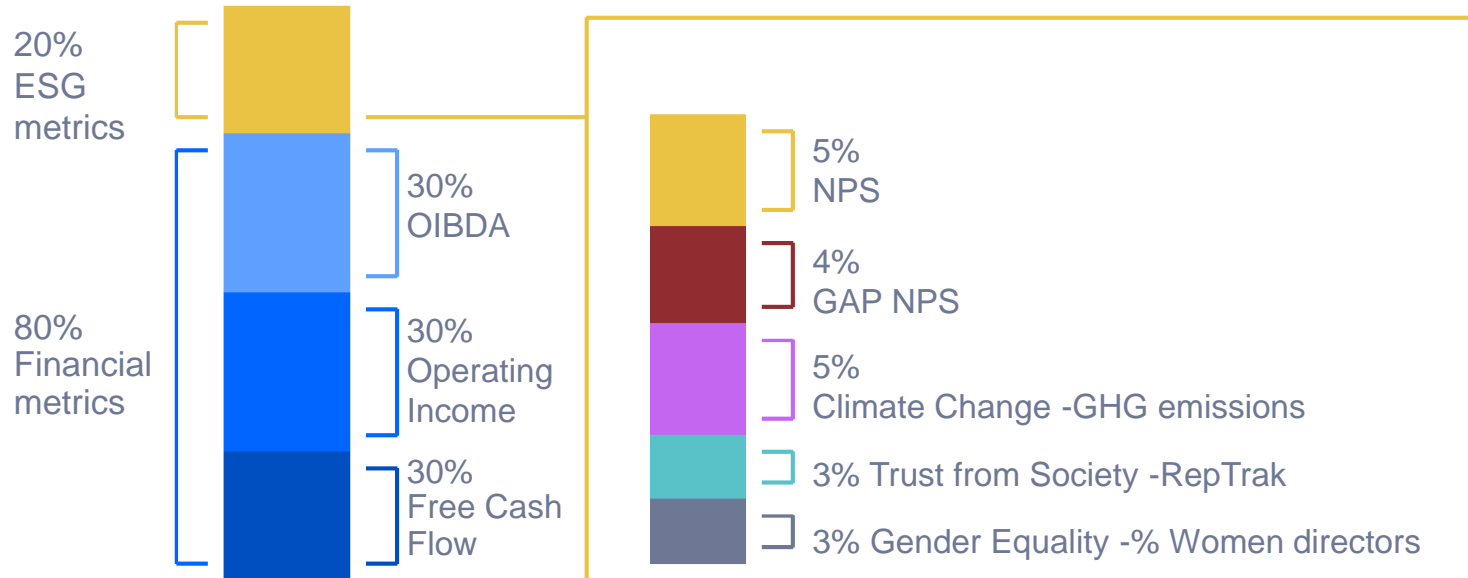
¹European Financial Reporting Advisory Group
For more info, click on the material topic



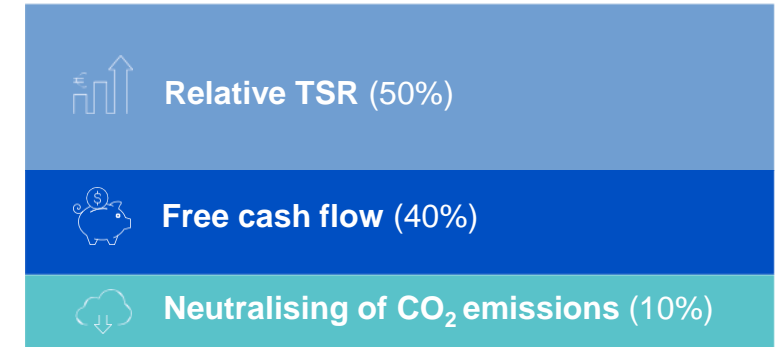
→ Ensuring execution and accountability

ESG in remuneration

All employees



Senior Executives



Accountability & Transparency



SASB Telecommunication Services Sustainable Industry Classification System®



Recommendations of IIRC



GRI standards (comprehensive)



TCFD recommendations (Environmental)



Eligibility activities reported under EU Taxonomy

→ Telefónica's ESG priorities

Pillars	Priorities	SDGs
 <p>Building a greener future</p>	<ul style="list-style-type: none"> ✓ Minimise our environmental impact - including achieving net-zero emissions, 100% renewables and zero waste ✓ Maximise our reach in providing products and services that decarbonise the economy 	   
 <p>Helping society thrive</p>	<ul style="list-style-type: none"> ✓ Reduce the digital divide by connecting the under-served and bringing transferable, digital skills to people ✓ Ensure an inclusive workplace to attract and retain the best talent, committed and diverse 	  
 <p>Leading by example</p>	<ul style="list-style-type: none"> ✓ Embed ESG across the business, including the value chain, with the highest ethical standards according to our responsible business principles ✓ Ensure the security, privacy and confidentiality of customer data with the highest security standards and processes 	  

→ Environmental goals and progress during 2022



“
Telefónica's climate targets are validated by SBTi and include Scope 1, 2 and 3.

	2021	2022	Targets	Progress
Main target: Net 0t by 2040 (SBTi validated)				
Scope 1+2 % emissions reduced since 2015	70%	80%	> 80% by 2030	100%
Scope 3 % emissions reduced since 2016	27%	32%	> 56% by 2030	57%
Renewable electricity % in own facilities	79%	82%	> 100% renewables by 2030	82%
Main target: Zero Waste by 2030				
Waste management % recycled	98%	98%	> Zero waste to landfill by 2030 100% reuse, resale and recycling network equipment by 2025	98%

Key messages

Climate Change: We are on-track to reach Net Zero by 2040

- Target to reduce **90% of scope 1+2+3 emissions by 2040**
- **100% of energy from renewable sources by 2030** (In 2022, 100% renewable in Europe, Brazil, Peru & Chile)
- **7.2% reduction on energy consumption since 2015** (while data traffic has increased 7.4x)

Circular economy: Working towards Zero Waste by 2030

- **4.4 million electronic equipment reused** (operations, offices & clients)
- Making progress in **ecodesign and integration of circular criteria**

Decarbonising the economy through digitalisation

- **54% of our B2B solutions** have been verified as **Eco Smart**
- **Eco Rating in 100% of our markets** helping consumers make more informed and sustainable device purchasing decisions
- Our **networks power other sectors to decarbonise**. Fibre emits 17x less CO₂ than copper and 5G/4G 7x less than previous generations¹



A List of the CDP Climate Change Index for 9 year in a row.



Leaders of the CDP supplier engagement programme.

→ Social goals and progress during 2022



	2021	2022	Targets	Progress
Rural connectivity % mobile broadband coverage	>77%	>80%	>90% mobile rural connectivity in Brazil, Germany and Spain by 2024	89%
Women directors % women directors	29,5%	31,3%	33% women directors by 2024	95%
Pay gap % adjusted gender pay gap	1,18%	0,74%	Zero (+/-1%) adjusted gender pay gap by 2024	100%
eNPS Employee satisfaction	67p	69p	≥ 60 points annually	100%
Digital skills Number of beneficiaries	1,212,765	1,305,715	1M beneficiaries annually	100%

Key messages

Addressing Digital Divide

- New vehicles to bring connectivity everywhere

INTERNET PARA TODOS

- +3m people
- +15.000 locations
- +1.900 sites

Human Capital: Diverse and inclusive talent for the future

- 78% of our employees acquiring and developing new skills
- Hybrid working models at 100% of our operations.

Committed to Human Rights

- 100% of operations biannually assessed to identify, prevent, mitigate and/or remedy corresponding adverse impacts.

Sustainable Innovation: making a positive contribution

- e-health / renewable energy / education / environment
- Responsibility by design framework to develop sustainable P&S



1st ICT company in the Digital Inclusion Benchmark 2023



Bloomberg Gender Equality Index - 6th consecutive year

→ Governance goals and progress during 2022



	2021	2022	Targets	Progress
Potential high-risk suppliers % externally assessed on sustainability	71%	72%	> 100% of potential high-risk suppliers externally assessed on sustainability by 2024	
Corruption Number of confirmed cases of corruption	0	0	> Zero tolerance of corruption	
Board diversity % female on the Board Directors	33.3%	33.3%	> Moving towards parity in top governing bodies by 2030	
Data Privacy Leading the industry in digital rights	1 st	1 st	> Leading the industry in digital rights – Ranking Digital Rights	

Key messages

Committed to best practices in Corporate Governance

- Balanced & diverse Board (33% women; 60% independent)

Business ethics and culture of sustainability

- >91k employees in our Responsible Business Principles
- ~95k employees received anti-corruption training in 2022.

Digital trust, safeguarding data security and privacy

- 0 fines for data protection issues as a result of a security breach/incident
- Advancing our cybersecurity and cloud capabilities: over 3,500 certifications, 12 Security Operational Centres (SOCs) etc.

Sustainable Supply Chain Management

- +18k audits in 2022. On track to reach 100% of critical suppliers assessed for sustainability by 2024

#1 sector. 3rd consecutive year

2nd Most Transparent Company based in Spain – Transparency International

→ Telefónica leads the sector in sustainable financing

Telefónica was the first in the sector to issue a green bond and **leads the global telco sector** in sustainable financing in public markets¹.



*Exchange rate applied at the time of grant

Performance

#1 in the sector. **27%** over Telefónica Group's total financing (YE 2022)

New target

Financing linked to sustainability to represent **30-35%** over total in 2024.

**+ €1,000M Green Hybrid Bond
February 2023**

1. As of latest Green Hybrid issuance on 02 February 2023
 2. Financing includes balance-sheet debt, hybrids and undrawn committed credit lines
 Note: the graph does not show bilateral facilities

→ Anticipating investors' EU regulatory needs

We mapped our **sustainability performance against investor requirements** under the EU's Sustainable Finance Action Plan, demonstrating how **Telefónica** can match investors' needs in complying with **Art. 8 & 9 SFDR fund requirements**.

Taxonomy Eligibility & Alignment

Companies and investment funds are required to disclose taxonomy aligned activities, Minimum Safeguards and to demonstrate Do No Significant Harm. These can be used by SFDR funds to select suitable investments.

- ✓ In February 2023, Telefónica **reported on Green Taxonomy alignment**, with updated to eligibility
- ✓ We **adhere to the governance, social, and human rights** aspects used as a floor for the Taxonomy (Minimum Safeguards & DNSH)
- ✓ As a sector, we are **seeking further dialogue with the EU** for a more comprehensive inclusion of telco activities. A life cycle assessment (networks) has been conducted to show **substantial contribution**
- ✓ We are well positioned to be aligned with the future Social Taxonomy

Going beyond with positive impact

Investors need to provide additional information around their existing ESG Integration for Article 8 & 9 funds. Telefónica is well suited to meet these funds' criteria, particularly with its positive ESG impact & practices.

- ✓ Our Business, and Environmental & Social practices, leads to **substantial net-positive SDG impacts** (€98bn)
- ✓ Telefónica is **consistently placed above industry averages in ESG ratings**, and leading the industry on strategic ratings such as CDP Climate (A list)

Principal Adverse Indicators

Telefónica has published an exhaustive list of the metrics that investors could potentially use to comply with the SFDR Principle Adverse Indicators.

- ✓ A table with **all mandatory and additional indicators** for climate/environmental and social topics has been included in our annual report
- ✓ In addition, we have included sector-specific data points as according to SASB and GSMA recommended metrics

→ EU Green Taxonomy of sustainable activities

Eligibility and Alignment: 2022 reported according to EC FAQs

- Comply with **environmental criteria of the activity**
- Environmental criteria of **not doing significant harm** to other environmental objectives
- Comply with **minimum social safeguards**

1. Eligibility

Reported KPIs	Value
Revenue	9.2%
CapEx	3.3%
OpEx	0%

2. Alignment

Revenue	1.3%
CapEx	0.6%
OpEx	0%

TEF perspective

51.0%
71.6%
71.0%
-
54.8%
-

Life Cycle Assessment (basis for Alignment)

Fixed Network Impact

Copper Network	325.95
Fibre Network	18.31

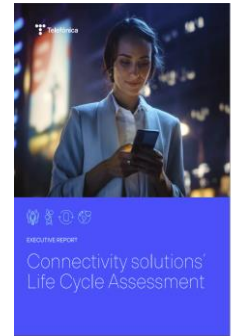
(>18x lower)

Mobile Network Impact

2G/3G	311.06
4G/5G	41.39

(>7x lower)

Tonne CO₂ eq / PB

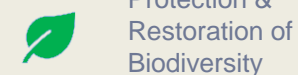
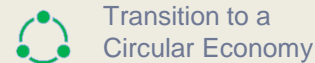
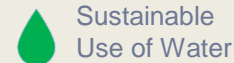


Main activities:

- Activity 8.1 Data processing, hosting
- Activity 8.2 Data-driven solutions for GHG emissions reductions
- Activity 8.3/13.3 Programming and broadcasting activities

+ **Secondary activities not part of business activities** (energy efficiency + mobility)

We also have a clear basis for demonstrating how we **Do No Significant Harm**



Telefónica has long adhered to elements in the **Taxonomy Social Minimum Safeguards**



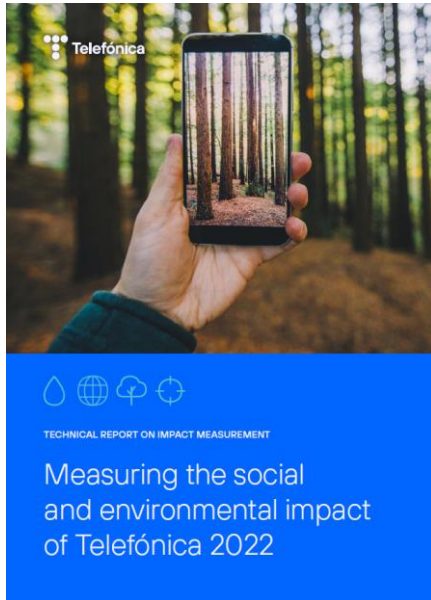
Using final report from the Sustainable Finance Platform about SMS as basis to anticipate potential future regulatory developments. Accordingly, main aspects analysed: human rights, corruption, taxation & fair competition

It has **only been possible to include digital solutions**, excluding telecommunications networks.

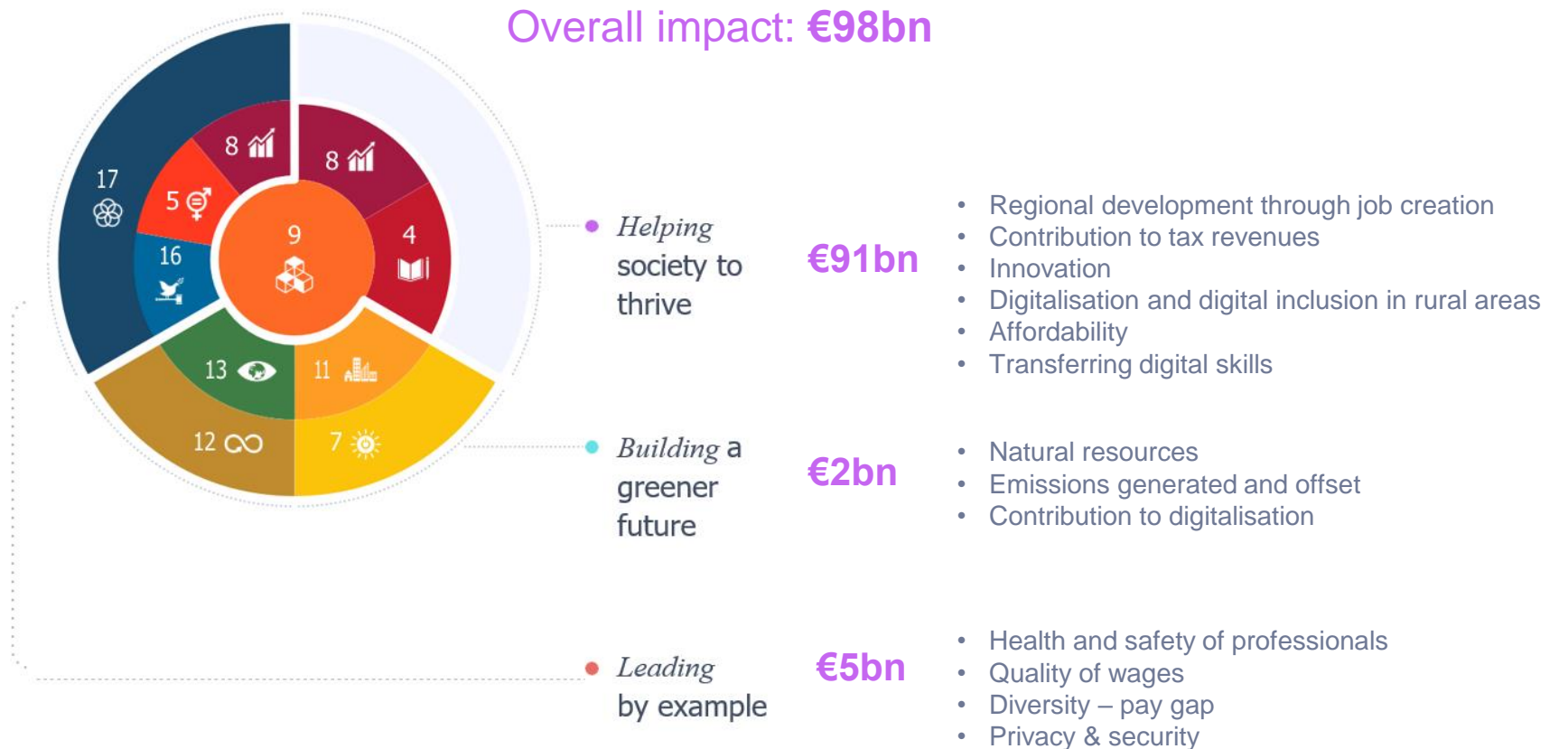
TEF has provided contextual information, based on the scope of the LCA, to show how **networks contribute to the decarbonization of other sectors**

→ Telefónica's social & environmental impacts against the SDGs

The nature of our business activities results in quantifiable positive impacts according to the criteria set out by the SDGs. Our [impact report](#) is available online.



- Impact report based on:
- Harvard University's Impact Weighted project
 - KPMG's True Value Impact Model







→ Our performance is backed by industry-leading rankings



Going beyond with positive impact

Our ESG performance, targets and transparency have been verified by the top ratings and rankings worldwide.

Rating/Ranking	Background	TEF performance
 	<ul style="list-style-type: none">The Carbon Disclosure Project (CDP) is the gold standard of environmental reporting. The A List includes those companies meeting the top criteria.In 2022, 18,700+ companies (half of global market cap) disclosed via CDP, which is used by >680 investors (>\$130trn AUM).	<ul style="list-style-type: none">9th consecutive year on the CDP A List (Climate) and one of only 330 selected out of ~15,000 companies evaluated.Supplier Engagement Leader for 3rd year running, which measures how effectively companies engage their supply chains on climate change
	<ul style="list-style-type: none">WBA is an independent, global organisation backed by 300 partners, incl. the UN Foundation and ~40 financial institutions managing over >\$7trn of assets.WBA conducts several benchmarks, including the Digital Inclusion Benchmark which assesses the 200 most influential ICT companies	<ul style="list-style-type: none">1st in Digital Inclusion Benchmark (ICT sector) out of 200 of the world's most influential tech companies. Analyses how companies improve access to technology and its reliable use, promote digital skills, and innovate in an open and ethical way.1st in Social Transformation Baseline Assessment
	<ul style="list-style-type: none">International benchmark that ranks the largest telcos worldwide on their commitment, management and transparency regarding human rights, privacy and freedom of expression.	<ul style="list-style-type: none">1st in Digital Rights (Telco sector), for 3rd consecutive year, out of 12 top tier telcos.+8% improvement y-o-y, leading across all 3 categories of governance, privacy and freedom of expression

Telefónica's environmental policies have led the sector for many years. Our digital solutions are helping to decarbonise the economy.

- ✓ Responsibility with the environment
- ✓ Energy and climate change
- ✓ Circular economy
- ✓ Digital solutions for the green transition



Building a greener future



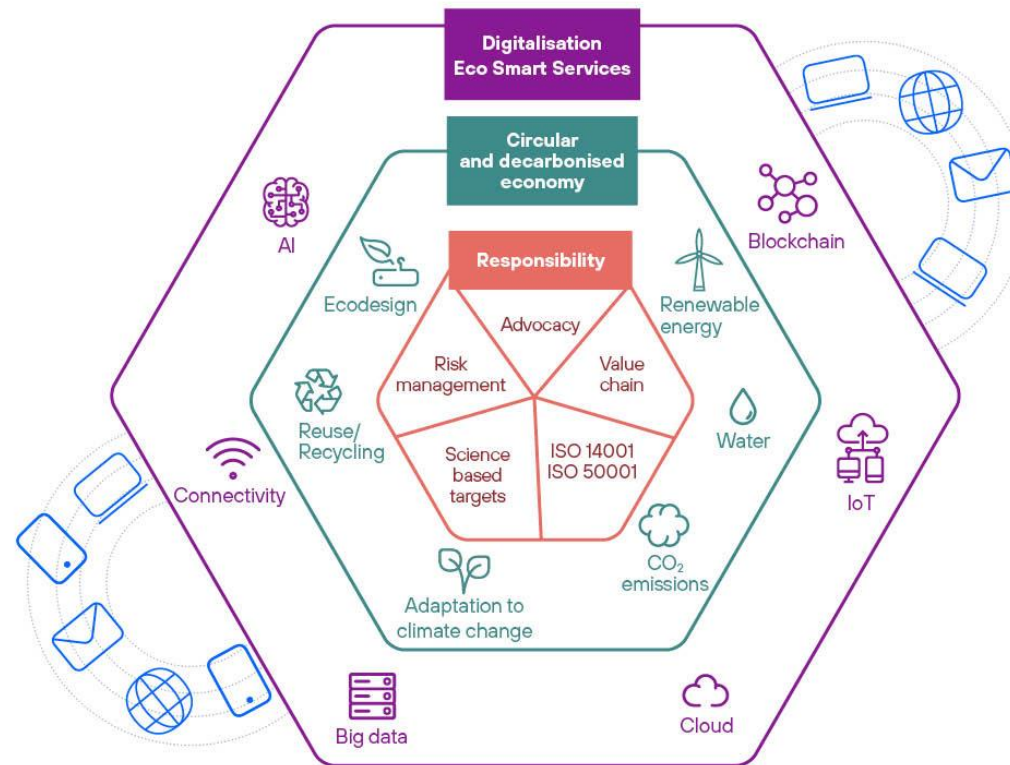
→ Responsibility with the environment

Our strategy seeks to minimise our impact on the environment and maximize the benefits generated by our digital products and services

Our strategy is based on three levels:

- 1 Our responsibility as a committed company towards the environment
- 2 Our efforts to be a decarbonised and circular company
- 3 Our customers' digitalisation through services with a positive environmental impact thanks to connectivity technologies

- Risks = + Efficiency = + Resilience
+ Opportunities = + Income



Environmental Strategy



- Risks = + Efficiency = + Resilience
+ Opportunities = + Income

We reduce our impact and provide solutions to major environmental challenges through digitalisation

Externally-certified **Environmental Management System** according to ISO Standard 14001 for all our operators. (Energy Management System according to ISO 50001 also in Spain, Brazil, Germany and Chile)



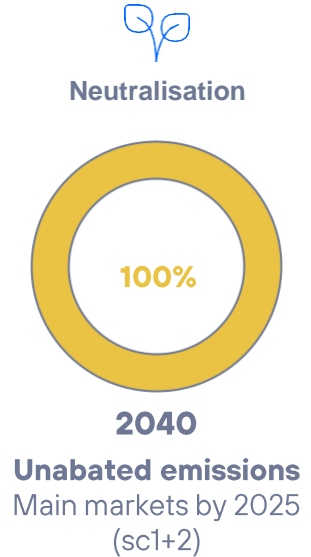
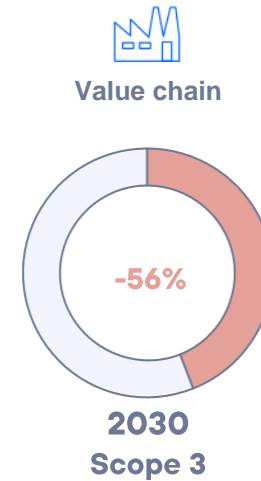
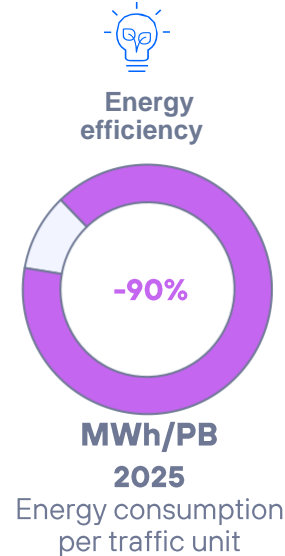
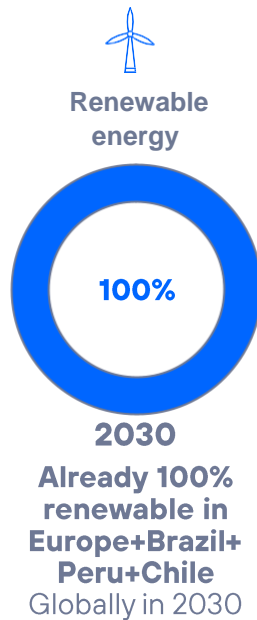
→ Energy and climate change

To support Telefónica's ambitious journey to Net Zero we have set interim targets that will help us to reduce our emissions, consistent with the 1.5°C scenario (validated by SBTi under the new Net-Zero Standard).

To deploy the most efficient telecommunications network powered by 100% renewable electricity



Net-Zero emissions 2040: Entire value chain (Scopes 1, 2 and 3)



*Reductions are compared to 2015 for Scope 1+ Scope 2 emissions and to 2016 for Scope 3 emissions

→ Energy and climate change

In order to reach our near-term and long-term climate targets, Telefónica has implemented a **Climate Action Plan** that goes beyond the Paris Agreement and aims to limit the temperature increase to 1.5°C above pre-industrial levels.

Scope 1 + 2 performance



80% reduction of Scope 1&2 GHG emissions globally since 2015.



-73% reduction of emissions intensity (scope 1+ 2 tCO₂e / € million revenue) since 2015



We have been 9 years in a row in CDP's 'Climate A List' of **+300 best practice companies**

Renewable Energy



100% renewable electricity use in Germany, Spain, Brazil, Peru and Chile

82% at global level

The road to net-zero



Step 1
Set near-term and long-term science-based targets and implement a strategy to achieve them



Step 2
Reduce our own scope 1+2 emissions through energy efficiency and renewable energies

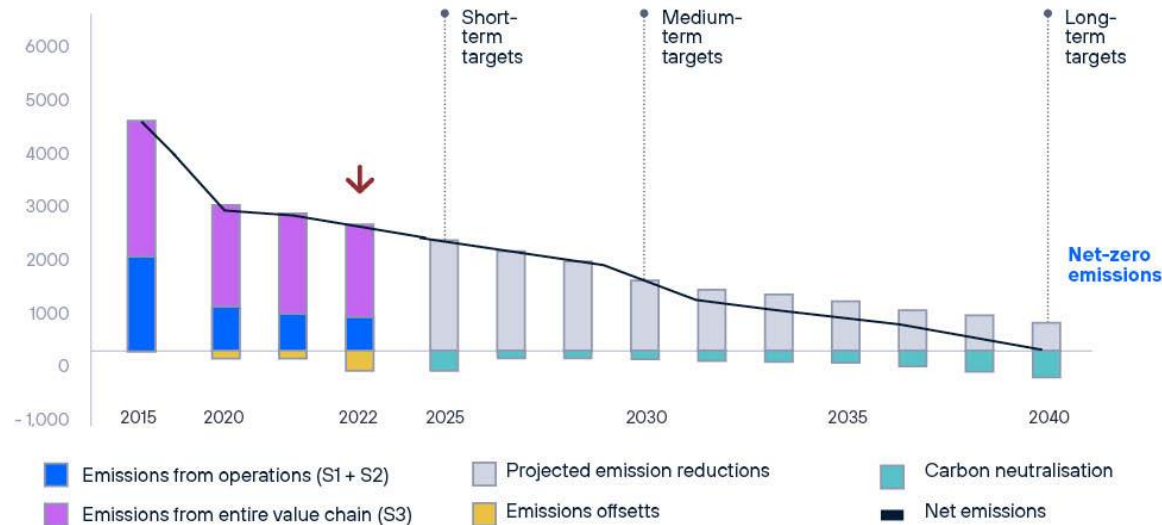


Step 3
Reduce value chain emissions (scope 3) through suppliers' engagement and eco-design of our products



Step 4
Neutralise unabated emissions through certified carbon credits

Telefónica's pathway to Net-Zero by 2040:



We reduce our emissions in line with the 1.5°C scenario and we neutralise the unabated ones for achieving Net-Zero.

→ Energy and climate change

Our Energy Efficiency and Renewable Energy Plans include a wide range of initiatives aimed at reducing our own emissions (Scopes 1+2).

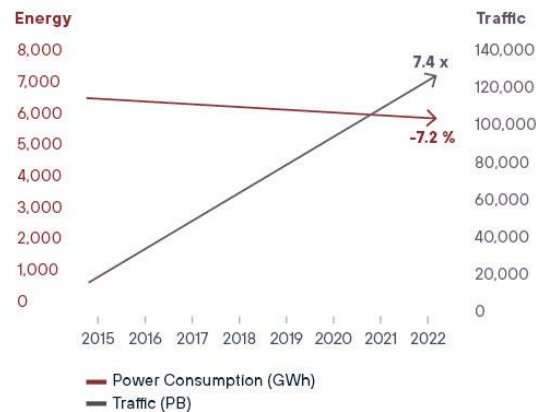
<p>Energy efficiency target</p> <p>90% reduction in energy use per traffic unit (MWh/Pb) by 2025</p>	<p>→</p>	<p>2022 Performance</p> <p>87% reduction in energy use per traffic unit (MWh/Pb) since 2015</p>
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<p>Renewables target</p> <p>100% of our electricity will be sourced from renewables by 2030</p>	<p>→</p>	<p>2022 Performance</p> <p>82% of our electricity consumption in own facilities comes from renewable energy</p>
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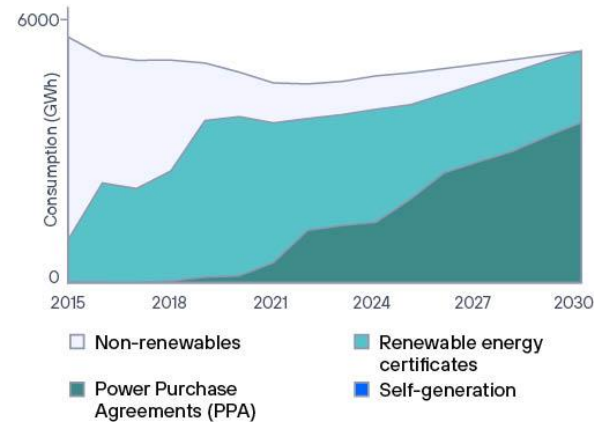
Energy Savings of 128 initiatives



Energy Use vs. Data Traffic



Renewable Energy



Our **Renewable Energy Plan** focuses on self-generation and signing of long-term Power Purchase Agreements (PPAs). This will reduce the purchase of certificates of renewable origin and increase savings in OpEx for electricity.

→ Energy and climate change

Cooperating with our main suppliers and the telecom sector is key to reducing our value chain emissions (Scope 3).

Scope 3 reduction target

56% reduction of Scope 3 GHG emissions by 2030 compared to 2016

2022 performance

Our Scope 3 emissions have fallen by **32%** since 2016

SBTi new requirement

Suppliers representing **90%** of our supply chain emissions have to set a decarbonisation plan aligned with SBTi.

New Carbon Reduction Programme

Analysis and reduction of emissions at the product level with our strategic suppliers.

Supplier Engagement Programme

218 suppliers submitted the CDP Supply Chain questionnaire, accounting for 97% of our supply chain emissions. (100% of our high-priority suppliers).

Efficient Products

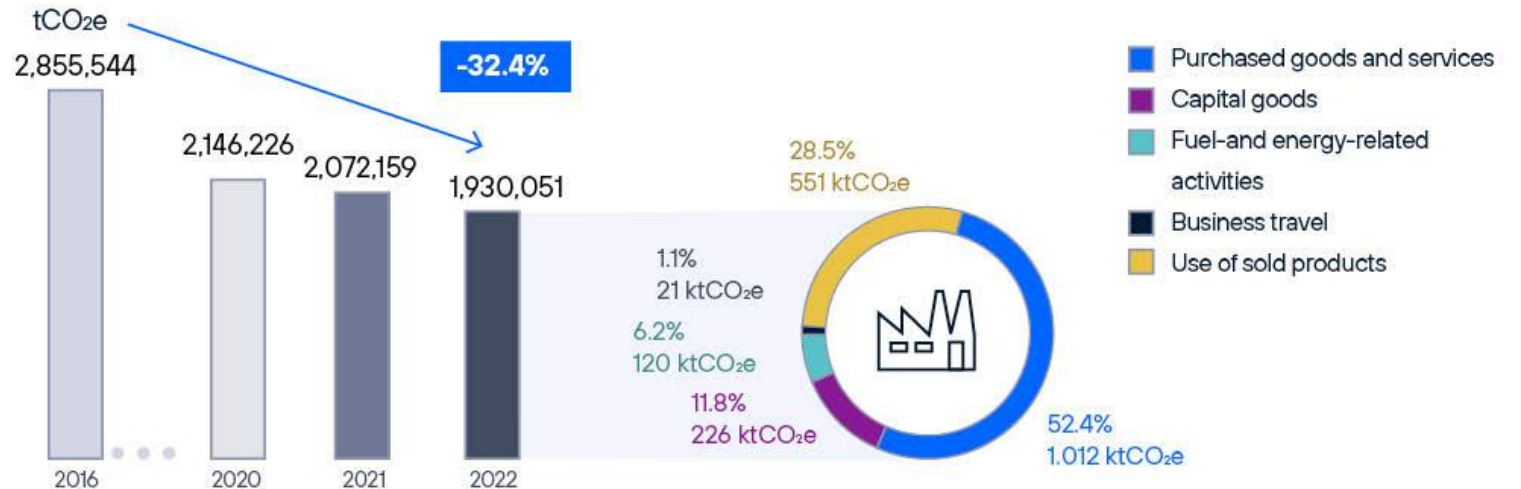
We updated the corporate instruction on low carbon procurement, which considers the internal carbon pricing to guide purchasing decisions towards energy-efficient equipment with a lower carbon footprint.

Telefónica's supplier engagement programme

Telefónica is a **CDP Supplier Engagement Leader**. We lead the **Joint Alliance for CSR (JAC)** Climate Change Working Group, encouraging strategic suppliers to implement common reduction actions in the sector. We also support initiatives such as the **1.5°C Supply Chain Leaders**, and the **SME Climate Hub**, which promotes decarbonisation amongst SMEs.



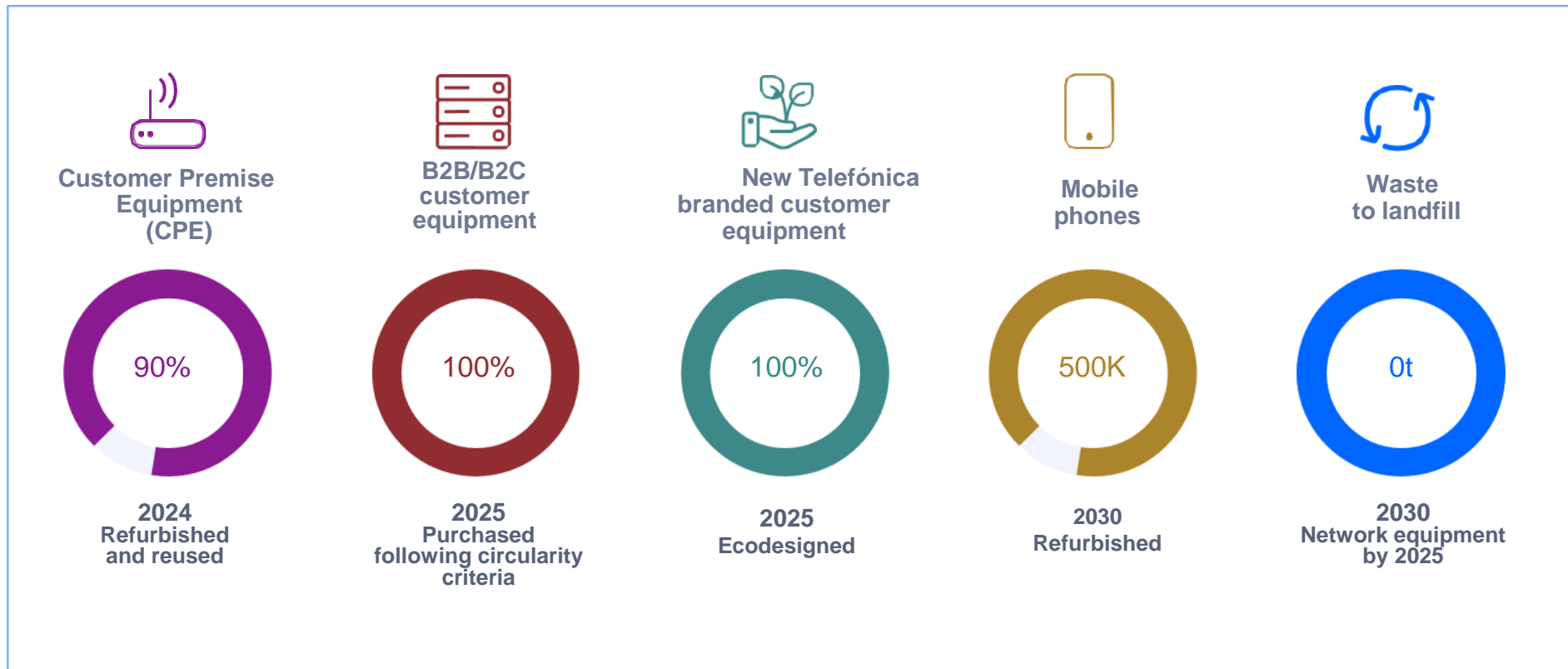
Scope 3 emissions



→ Circular economy




By integrating the circular economy principles into our processes and in our relation with customers and suppliers, Telefónica is enabling economic growth while optimising resource use and respecting the planet's boundaries.



Towards becoming a Zero-Waste company by 2030



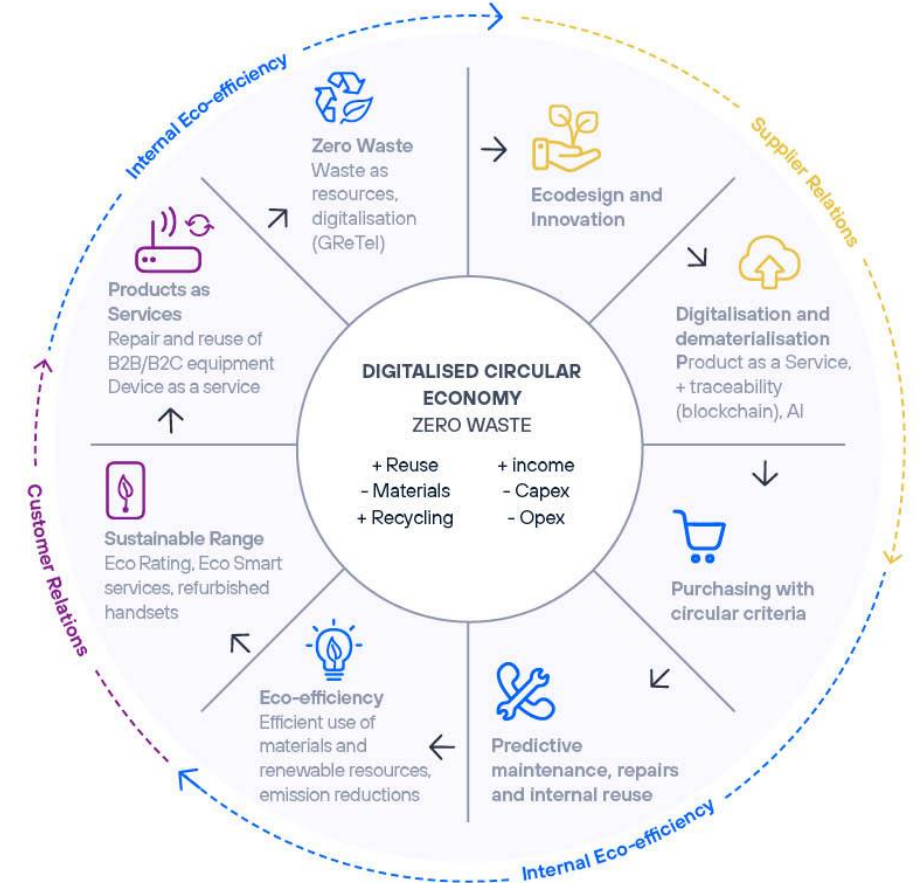
→ Circular economy

At Telefónica, our strategy focuses on optimising resource consumption, promoting eco-design, as well as encouraging the reincorporation of materials into the productive cycle.

Zero-Waste targets	Zero-Waste progress
 <p>Zero waste to landfill in 2030, through reuse and recycling. Network equipment by the end of 2025</p>	<p>> In 2022, Telefónica recycled 98% of its total waste</p>
 <p>By 2024, 90% of customer premise equipment will be reused or refurbished</p>	<p>> In 2022, 86% of customer premise equipment was reused or refurbished</p>
 <p>To refurbish 500,000 mobiles per year in 2030 through various programmes</p>	<p>> In 2022, 386,210 mobile phones were refurbished</p>

Ecodesign	Circular criteria
 <p>Aiming to apply eco-design criteria to 100% of new branded equipment by 2025</p>	 <p>100% of B2B and B2C customer equipment will be purchased with circular criteria by 2025</p>

Enhanced circularity through digitalisation



→ Circular economy

Do more using less resources: We minimise the environmental impact of our services and operations through eco-efficient measures

Water management



Measures to reduce water consumption, **mainly in severely water-stressed countries** (Spain, Chile and Mexico)

2022 water performance



Telefónica's **water consumption fell by -2% vs 2019**

Reducing Paper



In 2022, **189 million** customers chose electronic invoices

Waste management

Our **GReTel** waste data platform enables efficient waste management

Zero waste company by 2030

We recycle 98% of our waste and reuse 4.4 million electronic equipment:

Equipment reused

4.4 million ← **44% Reused**



56% Recycled

Routers and decoders

3,791,315 units

Mobile devices

386,210 units

Donated equipment

745 units

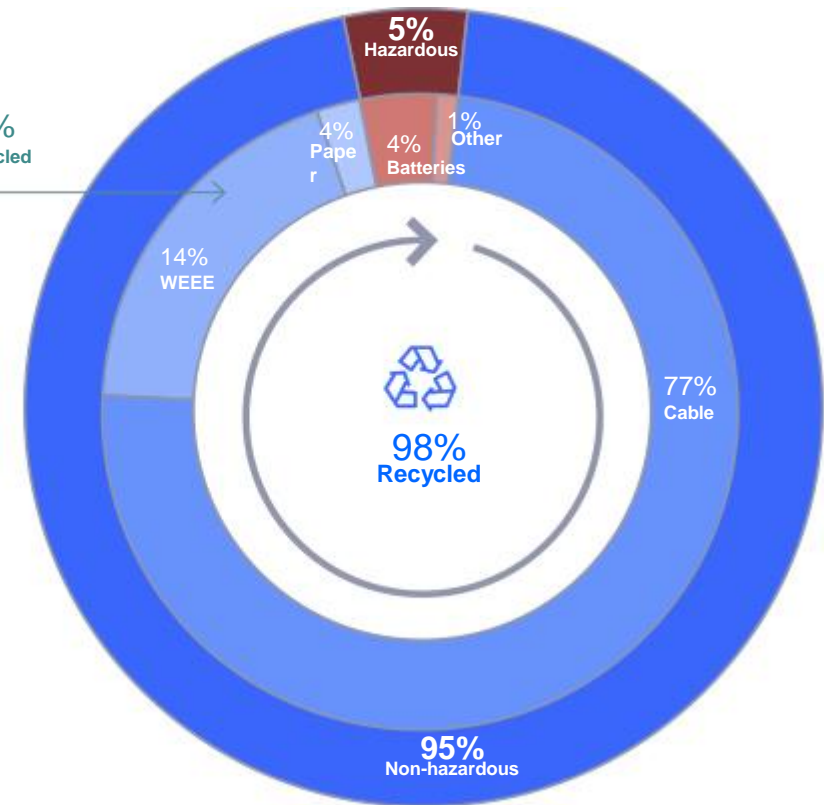
Office equipment

18,314 units

Network equipment

229,907 units

Total: 52,906 tonnes



→ Digital solutions for the green transition

Business to business digitalisation and connectivity are crucial tools for helping our customers tackle their environmental challenges.

Avoided emissions

81.7* M tCO₂e avoided by our customers thanks to our products and services

Eco Smart services

54% of our services in T.Tech, Spain, Brazil, Germany and Chile are verified as **Eco Smart** by AENOR

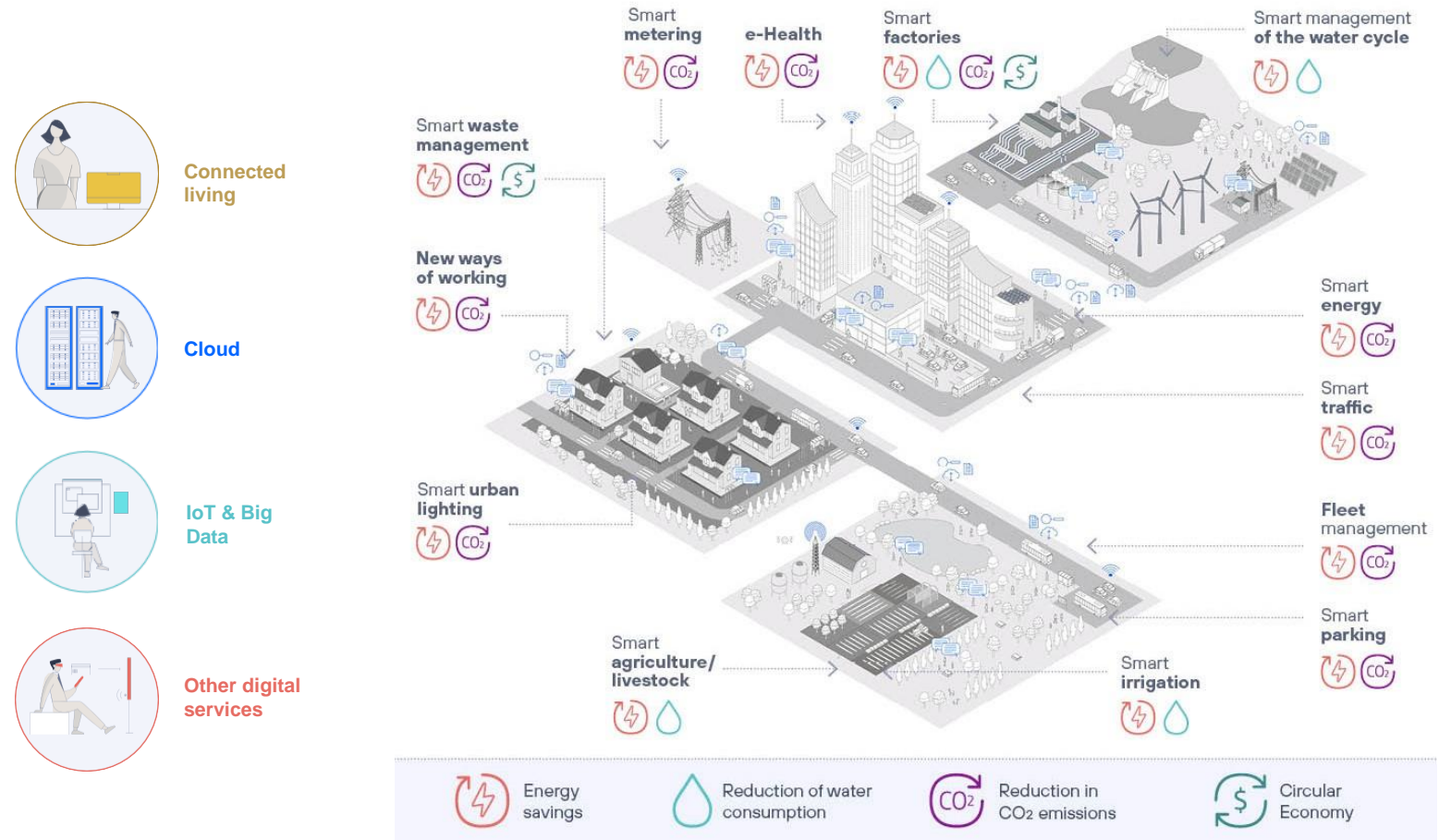
Eco Rating (mobile phones)

Implemented in **100%** of our markets

71% of the mobile portfolio assessed with Eco Rating

We are a founding member of the **European Green Digital Coalition**, promoting green digital solutions and transparently communicating their environmental benefits

Digital solutions for environmental challenges



*Of the total figure, 80.6 million correspond to services where Telefonica only provides broadband and mobile connectivity for the B2C segment and 1.1 million to IoT, Cloud, Big Data and Health services where Telefonica provides connectivity, IoT devices, platforms, servers and/or software. This data includes the emissions generated by the connectivity and network infrastructure that are part of these services.

Telefónica helps society by enabling an inclusive digital transition. Our human capital management aims to attract and retain the best talent.













- ✓ Human capital
- ✓ Digital inclusion
- ✓ Sustainable innovation
- ✓ Human rights
- ✓ Customers
- ✓ Our contribution & impact



Helping society to thrive

→ Human capital



We have made good progress on our ambitious targets which enable us to attract and retain talent.

		Initial Target		Our 2022 Progress	
Professional Development		50%	Employees participating in annual new skills or reskilling programmes	78%	
		60% eNPS	Employee Net Promoter Score equal or greater than 60%	69%	
Diversity & Inclusion		33%	Women directors by 2024	31.3%	
		+/- 1%	Adjusted gender pay gap of +/- 1 by 2024	0.7%	
		0%	Eliminate the gender pay gap by 2050	16.80%	
		Parity ¹	Gender parity in the Company's highest governing bodies	33% women on the Board of Directors	
		Promote Inclusion	Double the number of employees with disabilities within the workforce by 2024	1,482	
New Ways of Working		Flexible Working	100% of the workforce able to opt for hybrid working by 2024	66% of workers teleworking during 2022	
Safety, Health, and Wellbeing		Safe & Healthy Working	To provide safe & healthy working conditions to prevent injuries	96% of our employees are currently covered by a health, safety and well-being management system	

*Note (1) Parity defined on not more than 60% and not less than 40% of each gender.

→ Human capital management strategy

During 2022 we have strengthened our commitment to the team across the 4 pillars of our human capital management strategy.

 Professional development	 Promote diversity and Inclusion	 New ways of working	 Safety, health and well-being
<ul style="list-style-type: none"> • 1.6 million training courses complete, 35h/employee training • SkillsBank rolled out to more than 90,000 employees. 50,000 employees already use it  <ul style="list-style-type: none"> • 42k participants in Power of Connections Programme, a key tool for developing our culture. • 78% of employees invested in the acquisition and development of new abilities. 	<ul style="list-style-type: none"> • We formed part of the Bloomberg Gender-Equality Index (6th year) • Global Equality Policy: approved by the Board of Directors in 2022. • New target of doubling the number of employees with disabilities globally by 2024. • Alliances with strategic partners such as Valuable 500. • 91% of our employees reported feeling included at work. 	<ul style="list-style-type: none"> • Our hybrid, flexible and digital working model applies to all employees when their role allow it • 44% of employees claim that they are working on agile work initiatives (+ 6 p.p. vs 2021). • Digital disconnection agreement signed with trade union organizations. • 78% of our employees feel they have a good work-life balance. • 66.3% employees covered by collective bargaining agreements. 	<ul style="list-style-type: none"> • 40% of our employees are covered by a certified system (ISO 45001 or OHSAS 18001). • 90% of employees represented on joint Health & Safety committees and 96% covered by a health, safety and well-being management system. • 78% of our employees feel that Telefónica supports well-being • We have conducted psycho-social risk assessments. • Online courses available to all employees on occupational health, safety and well-being.

→ Human capital – Diversity & inclusion


We incorporate diversity and inclusion management as a defining element of our people strategy.

Women directors target

Have at least **33%** women directors by 2024

↓

2022 performance


 **31.3%** Women directors

Pay gap transparency

Adjusted gender pay gap: **0.7%**

Bloomberg Gender Equality for our commitment and progress in diversity

Financial Times Diversity Leaders 2022



Addressing all dimensions of diversity

Focus Areas	Programmes and Recognition
Governance	Global Diversity Council, Global Diversity Sponsor and Diversity Champions
Female talent	Both genders in final shortlists for recruitment processes for executive positions. Career acceleration, visibility enhancement programmes and internships specifically for women. More women in digital and STEM professions.
People with disabilities	In 2022, we set ourselves the target of doubling the number of employees with disabilities globally by 2024. We enhanced our disability awareness programme for all employees. Partnerships with key institutions: Valuable 500
Racial diversity	We are committed to implementing initiatives to promote the attraction and development of talent from unrepresented ethnicities, as well as their leadership. + 107 nationalities
LGBT+	Initiatives to promote the attraction, development, and well-being of transgender people : Spain (guide to the gender transitioning process at work) & Brazil (~70 trans employees)
Age	Programmes for the attraction and development of young professionals. Promotion of intergenerational diversity and the employability of over-50s.

→ Digital inclusion

We are boosting digitalisation and tackling inequalities to create a more sustainable society and economy.



Inclusive access

- **Connectivity deployment**
Ensuring that everyone has access to broadband communication networks in all regions, both urban and rural
- **Accessibility**
Making sure that our digital services are accessible so that everyone, regardless of physical capabilities, can make use of them
- **Affordability**
Working to prevent cost being a barrier to using new technologies, by offering options and rates that are affordable

➤ **90-97% coverage (mobile broadband) in rural areas** in our main markets in 2024



Training in digital skills - Fundación Telefónica

- **Basic digital skills**
Offering our knowledge and capabilities to improve the digital skills of those who need it most
- **Intermediate digital skills**
Upskilling by teaching the use of programming tools and technology
- **Employability and training in advanced digital skills**
Training young people in the professions of the future which will require advanced knowledge of technology

➤ To benefit **more than 1 million people annually with digital skill programs**



Innovation and relevant services

- **Sustainable Innovation:**
Developing new solutions and innovative services that improve people's lives
- **Technology for people with disabilities**
We ensure that technology becomes a key tool to improve the lives of people with different abilities

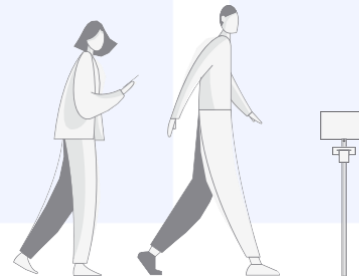
➤ **To evaluate 100% of new P&S under Responsibility by Design framework** in 2025



Safe and responsible use of technology

- **Privacy and security**
Ensuring that products and services meet the strictest privacy and security standards to generate confidence in use of new technologies
- **Responsible use of technology**
Protecting and fostering a responsible use of technology

➤ **We promote new awareness-raising campaigns to encourage the responsible use of technology**



→ Digital inclusion – Training, innovation and safe use of technology

In conjunction with inclusive access & connectivity, we promote digital inclusion through our three remaining pillars:

Training in digital skills



Basic digital skills

- **Digital mobile** for seniors in Germany
- **O2 Gurus**, specialising sales staff on technology
- **Conecta Educación**, personalised digital training
- **ProFuturo**¹



Intermediate digital skills

- **Free employability² programme** & Virtual Career Advisor



Advanced digital skills

- **42: programming Campus** ^(*)

More than **1,305,715** people trained in digital skills during 2022

Innovation & relevant services

New services with social impact

- ✓ Financial inclusion
- ✓ Health solutions
- ✓ Digitalisation of the rural areas
- ✓ Data and artificial intelligence
- ✓ Security services

Technology serving people with disabilities

Our products and services are **adapted** to various needs of people with disabilities

Incorporating **'Design for All'** framework for products and online channels

Safe and responsible use of technology



Privacy and security

- "Conexión Segura" is a free service filtering out more than 250 million threats



Responsible use of technology


Raising awareness in society to identify fraud and infringements through training


More than **9.9 m** people impacted through our responsible use of technology programmes


→ Digital inclusion – Inclusive access

Internet access and new digital services are a cornerstone in achieving many of the Sustainable Development Goals (SDGs) ¹

2022 performance

 **94% 4G** rural coverage
85% 5G coverage

 **99% 4G** rural coverage
80% 5G coverage

 **80% 4G** rural coverage
96% 4G coverage

More than **40** Products & Services evaluated under **Responsibility by Design** framework



Recognised Leader Ranked 1 in the WBA Digital Inclusion Index 2023

Notes: (1) According to the United Nations



Connectivity Roll-Out

- ✓ To extend coverage of broadband service to rural areas



Accessibility

- ✓ Provide accessible content for hearing and visually impaired people on our Movistar+ TV platform
- ✓ We work with device manufacturers, to make devices easier to use for people with different disabilities
- ✓ Developed more than 1,200 pieces of content new with "triple accessibility"



Affordability

- ✓ We contribute to the Universal Service Fund in Spain and several Latin America countries
Universal services: Invested €212 million

→ Sustainable Innovation

Innovation is a strategic building block that allows us to develop solutions and products that tackle social and environmental challenges

Targets

100% of our new P&S will be assessed under the **Responsibility by Design** framework by 2025.

Highlights

We invest **€3,721 million** in R&D+i

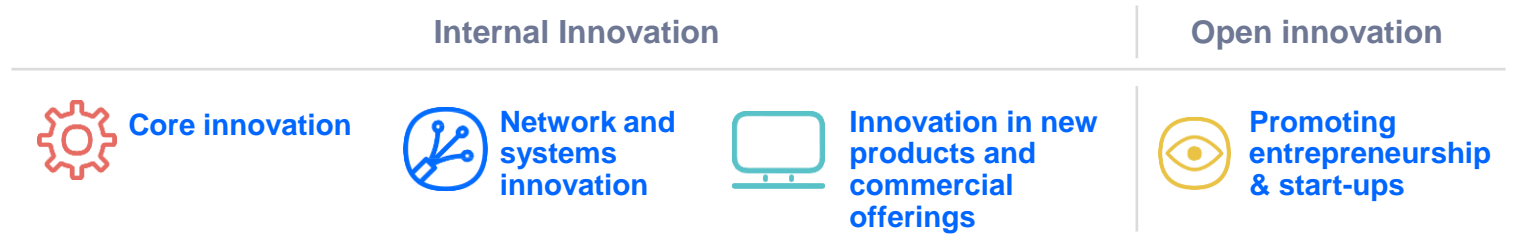
Industrial property rights portfolio 444

New assets: 14 patents & 2 industrial design

Open innovation portfolio/active start-ups **550**

Total cumulative investment in Open Innovation **€221 million**

Main areas within the organisation involved in innovation management



Innovation in new P&S process: Responsibility by Design

Ethics applied to design



Principles of responsibility to the customer



Ethical principles applied to artificial intelligence and data management

Sustainability applied to design



Design taking into account its impact on Human Rights



Impact on the environment

→ Human rights

We respect and promote the fundamental rights of our employees, customers, supply chain workers, and communities via a robust human rights due diligence process.

Targets

100% of potential high-risk suppliers assessed via external evaluation by 2024.



Mandatory human rights training for all Telefónica employees



**RANKING
DIGITAL
RIGHTS**

Leading telco in the 2022 Ranking Digital Rights due to our commitment to human rights, privacy and freedom of expression

Global Human Rights and Environmental Impact Assessment conducted in 2022 in view of new regulatory/stakeholder requirements

100% of own operations subjected to human rights risk assessments during 2022

Due Diligence in Human Rights



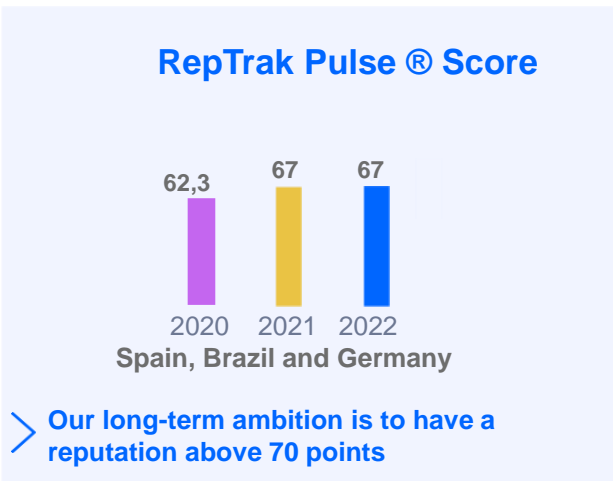
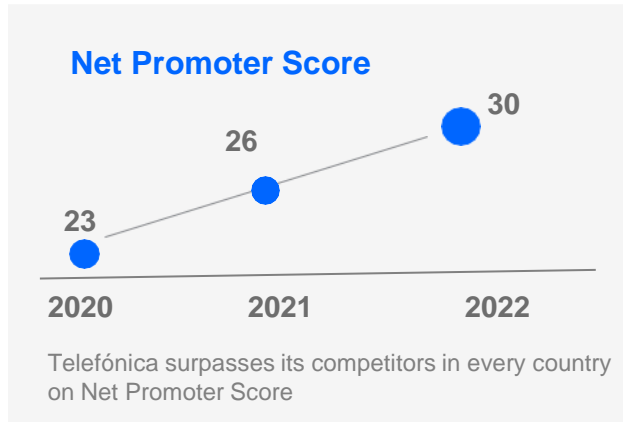
1. Global Human Rights Policy adopted by Board of Directors
2. Regular impact assessments at different levels
 - Global impact assessments
 - Biannual risk assessments in all markets
3. Policies and processes updated accordingly
4. Regular monitoring of & reporting on human rights due diligence
5. Anonymous complaint/remedy mechanism via our Concern and Whistleblowing Channel

Focus on our salient human rights issues

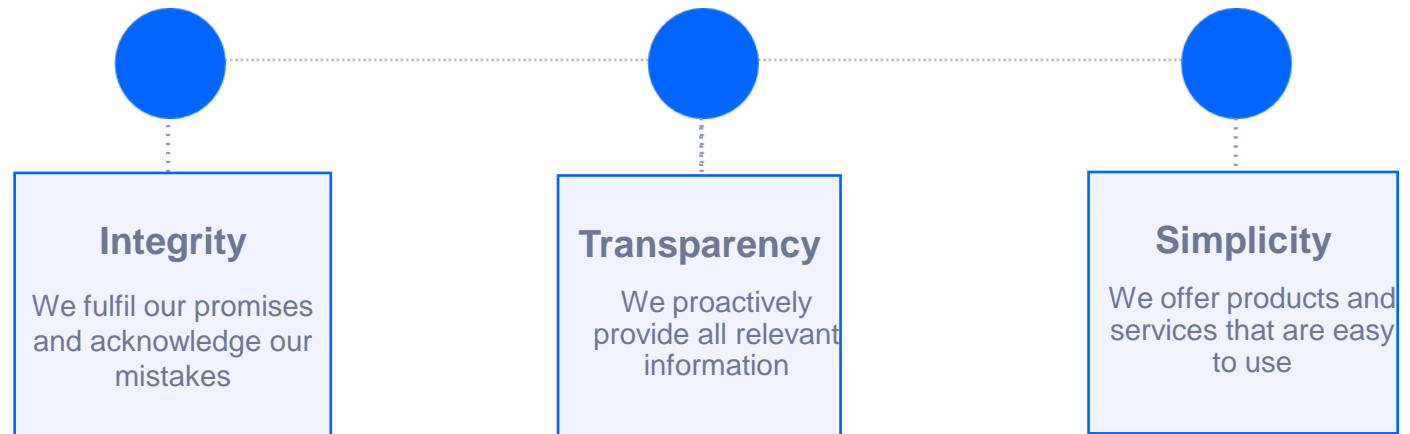
- ✓ Digital Inclusion
- ✓ Digital Rights (privacy, freedom of expression and information, and cybersecurity)
- ✓ Responsible use of new technologies (artificial intelligence, big data etc.)
- ✓ Protection of child rights
- ✓ Social and environmental standards in the supply chain

→ Customers




We aim to build a long-term relationship of trust with our customers



Telefónica's Customer Promise



Voice of the Customer programmes

-  **Spain:** “The handling of dissatisfied customers through the close-the-loop approach allows almost 70% of customers to end up being satisfied.”
-  **Brazil:** “The resolution rate of the (complaint) process was 75% and the churn reduction was 60%.”
-  **Germany:** “Since the launch of the program in 2019 the relational NPS has increased by around 20 points.”

→ Contribution and Impact on Communities



8

- ✓ We **promote and contribute** to economic growth: **Impact on GDP 45,978 million euros.**
- ✓ For every **euro of gross operating margin** we obtained, we generated **3.6 euros** which contributed to the **GDP of the main countries** in which we operate.
- ✓ Our **tax contribution** amounted to **€7.7 billion**
- ✓ **We generate 9.8 jobs** for every person we hire in the countries where we operate
- ✓ **Total impact** on employment of the Telefónica Group of over **1.07 million jobs**
- ✓ **We award** more than **83%** of our purchase volume to local suppliers



9

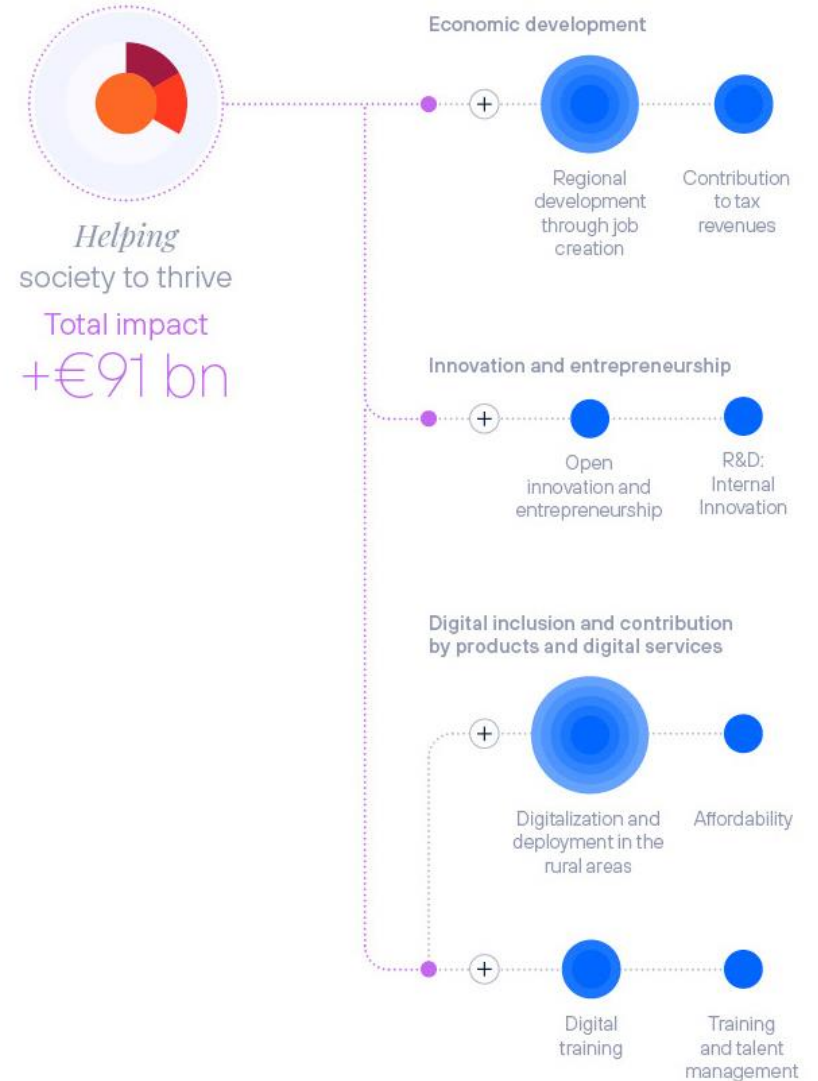
- ✓ **We have a 4G coverage of 90%**
- ✓ **85% of 5G rural coverage in Spain**
- ✓ Our contribution to **Universal Service raised up to 212 million euros**
- ✓ **Our contribution** to R&D amounts to **714 million euros.** We have an industrial property rights portfolio with **444 patents**
- ✓ Open innovation portfolio: **550 active start-ups**
- ✓ **Total cumulative investment** (Wayra + Telefónica Ventures, direct and indirect) **221 million euros**



4

- ✓ Quality **digital education** to more than **19.7 million** children and young
- ✓ **More than 1.3** beneficiaries of digital skills development

ProFuturo
Transforming education*.



→ Contribution and Impact on Communities



7

- ✓ **100% renewable** in Europe, Brazil, Peru and Chile and committed to extending this to all our operations by 2030.
- ✓ The **percentage of electricity** from **renewable sources** in own facilities was **82%**
- ✓ **845,456 emissions avoided** thanks to consumption of renewable electricity (tCO₂e)

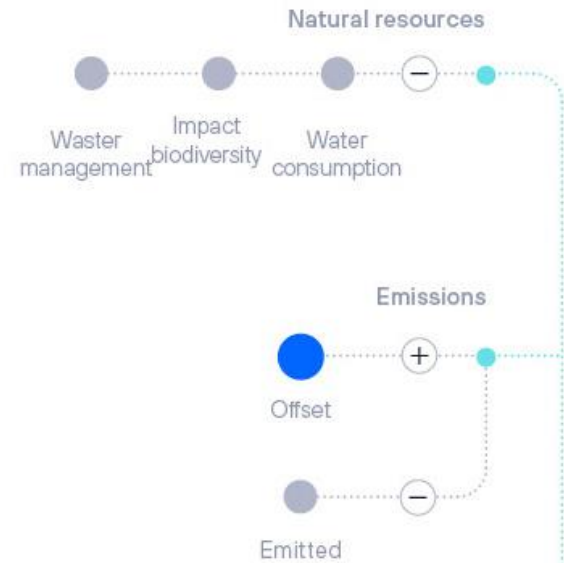


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- ✓ In 2022 we helped **avoid** the emission of **81.7 million of tonnes of CO₂** thanks to services such as connectivity, the Internet of Things (IoT) and the cloud
- ✓ **98%** of our waste was **recycled**



12



13

- ✓ We contribute to **reducing the impact of climate change** by supporting projects within our own operations and along the value chain.
- ✓ Direct emissions (Scope 1) **131,809 tCO₂**
 Indirect emissions (market-based method) (Scope 2) **221,537 tCO₂**
 Other direct emissions (Scope 3) **1,930,051 tCO₂**

Digital Services for a green transition



Contribution to digitisation



Building
a greener future
Total impact
+€1.8 bn

→ Contribution and Impact on Communities

16

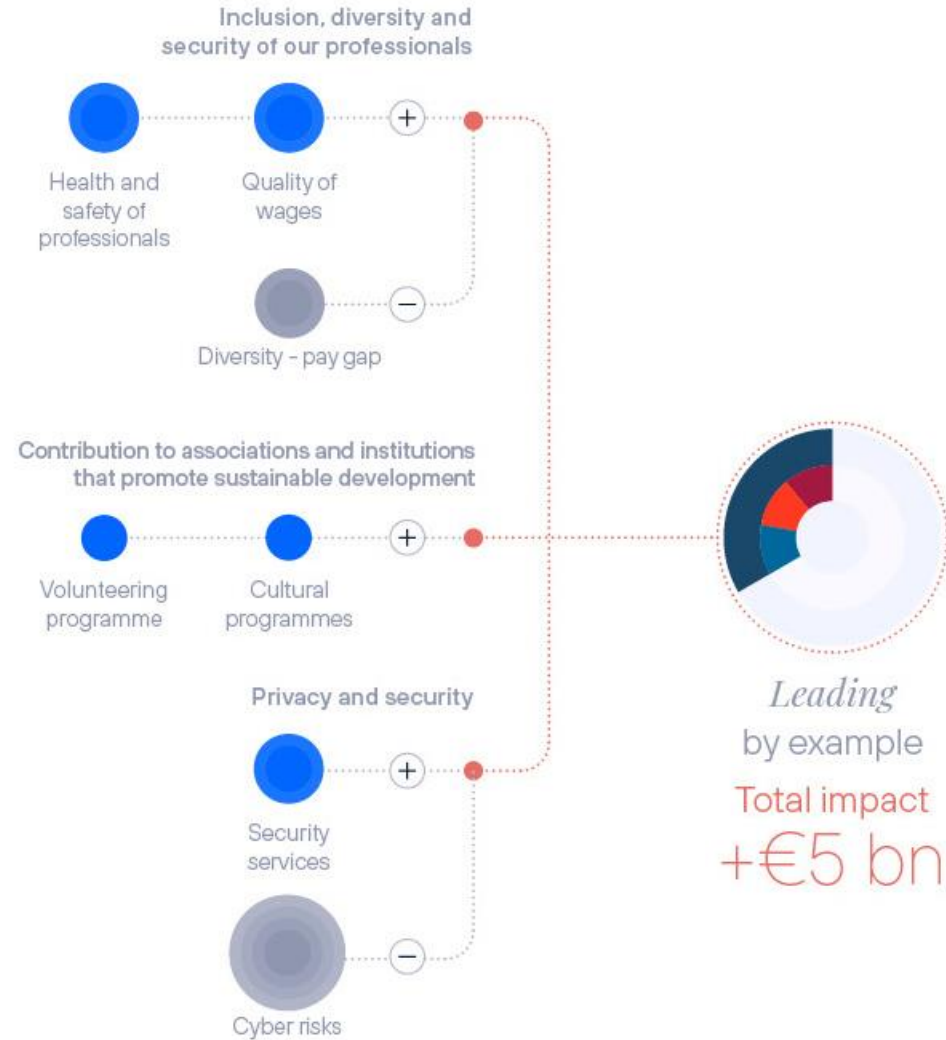
- ✓ World Benchmarking Alliance recognised us as the **world's most influential company** in the ICT sector and we were the **global top telco** in Ranking Digital Rights

17

- ✓ Corporate volunteering **58,502 people**
- ✓ **91% LTE** penetration in the customer base
- ✓ **26,304** of fixed broadband subscribers

5

- ✓ **38.6%** of women in our workforce
- ✓ **31.3%** of managers are women
- ✓ **0.74%** adjusted pay gap
- ✓ **102** Programs to promote STEM careers careers



Telefónica maintains strict levels of governance oversight through policies, personnel, and programmes.

- ✓ Corporate governance
- ✓ Culture based on ethics
- ✓ Data privacy
- ✓ Security and cybersecurity
- ✓ Managing a responsible supply chain



Leading by example

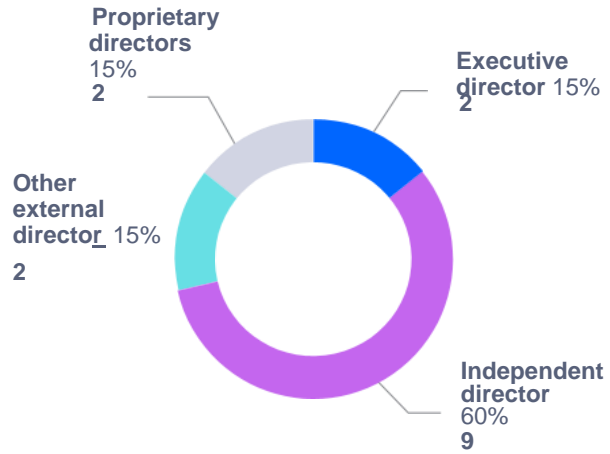


→ A balanced and diverse board

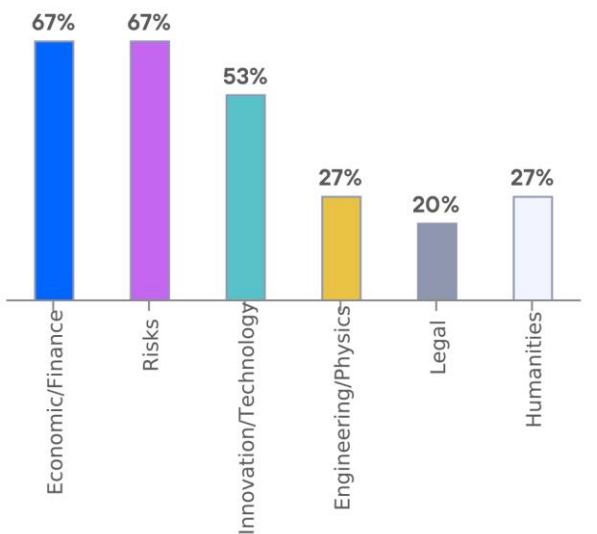
Our 15-member board has a diverse skill set and backgrounds.

-  **15**
Members
-  **33.33%**
Women
Compared to 18% in 2018
-  **60%**
Independent
-  **8**
New directors
Since 2017
-  **9.48 years**
Avg. Tenure
-  **Lead independent Director**

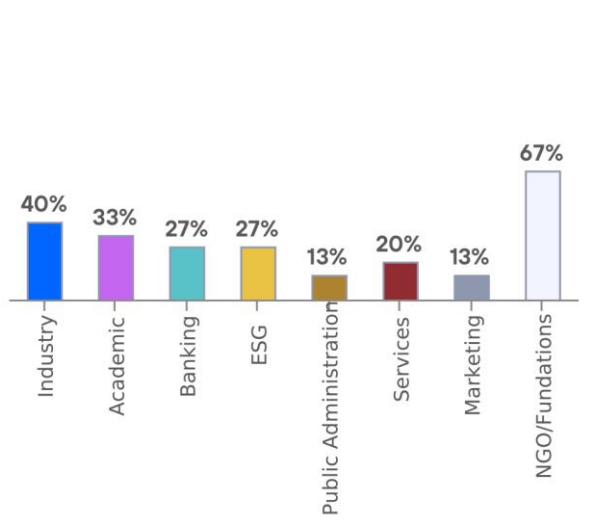
Board composition



% of Directors with the following knowledge and skills



% of Directors with professional experience in the following sectors



Spain



UK



Brazil



Austria

International diversity

→ Our board of directors


Telefónica is firmly committed to the ongoing improvement of its corporate governance framework, increasing, strengthening and consolidating best practices in this area.



José María Álvarez-Pallete López
Chairman & CEO – Telefónica
Committees: E (Chair)



Ángel Vilá Boix
Chief Operating Officer – Telefónica
Committees: E



José Javier Echenique Landiribar
Lead Independent Director & Vice Chairman
Committees: AC, E, NCCG (Chair)



José María Abril Pérez
Vice Chairman
Committees: E, SI



Isidro Fainé Casas
Vice Chairman
Committees: E



Juan Ignacio Cirac Sasturain
Director
Committees: RIA, SI, SQ



Peter Erskine
Director
Committees: E, NCCG, SI (Chair)



Carmen García de Andrés
Director
Committees: AC, RIA, SQ



María Luisa García Blanco
Director
Committees: NCCG, RIA, SQ (Chair)




Peter Löscher
Director
Committees: AC (Chair), E, NCCG



Verónica Pascual Boé
Director
Committees: SI




Francisco Javier de Paz Mancho
Director
Committees: E, NCCG, RIA (Chair), SQ



Francisco José Riberas Mera
Director
Committees: None



María Rotondo Urcola
Director
Committees: AC, SQ



Claudia Sender Ramírez
Director
Committees: SQ, S

Committee Key

AC = Audit and Control Committee
E = Executive Commission
NCCG = Nominating, Compensation and Corporate Governance Committee

RIA = Regulation and Institutional Affairs Committee
SI = Strategy and Innovation Committee
SQ = Sustainability and Quality Committee

→ Active Board oversight of our long-term strategy

The Board continuously analyses the main strategic issues facing Telefónica.



Board oversight of Strategy

- ✓ The Board is responsible for approving Telefónica’s Strategic Business Plan
- ✓ The Strategy and Innovation Committee (SI) supports the Board in analysing Telefónica’s global strategy policy
- ✓ The Board is informed monthly of the matters discussed by the SI, which includes the global strategic policy, and receives updates from management on strategic issues including among others:



Board oversight of Responsible Business Plan



→ Culture based on ethics

A culture of responsible business is ensured via robust policies, open training and the facilitation of reporting channels.

Targets

Zero tolerance of corruption and bribery

100% employees trained in Responsible Business Principles and Human Rights through the Principles Course ¹

100% operations assessed for corruption risks

2022 performance

89% of employees on Responsible Business Principles & Human Rights

93% of employees trained in anti-corruption matters

0 confirmed cases corruption and discrimination during 2022

Complaints Whistleblowing channel

808 complaints received and investigated. -> 374 substantiated -> resulting in 118 contract terminations

Implementing a solid culture of ethics & compliance

Legal compliance & zero tolerance to corruption & bribery



Integrity is the basis for Telefónica's Compliance function

Fair Competition



Telefónica makes training on competition law available for all company areas

Robust training on ethics



We have mandatory responsible business and human rights training and internal awareness campaigns

Whistle-blower channel



The anonymous complaints portal is for all employees and stakeholders, and ensures data confidentiality 24h open

Political neutrality



We take no political standpoint (*except views on matters affecting Telefónica*) We are registered in the EU's & Spain's voluntary transparency registers



Telefónica's Responsible Business Principles

- Ethical and responsible management
- Corporate governance and internal control
- Respect for and promotion of Human Rights and Digital Rights
- Our commitment to the environment
- Innovation, development and responsible use of technology
- Responsible communication
- Our commitment to our customers
- Our commitment to our employees
- Our commitment to the societies in which we operate
- Responsible supply chain management

(1) 3-year goal. Excluded from this KPI are: newly hired employees in the last quarter of this period and those who have recently been incorporated from newly acquired companies and are still undergoing their onboarding process and whose training deadline has not yet ended.

→ Data privacy

We prioritize data privacy and empower our customers to have access to and control their personal data

Targets

Reduce risk exposure and increase digital trust



119,639 hours of training in data protection and cybersecurity



5,836 Number of days dedicated by internal audit to Data Protection and Cybersecurity.



0 fines for data protection issues as a result of a security breach or incident affecting personal data



Extremely low level of fines for data protection issues Across 12 countries €318k. In GDPR countries: €30k



1st Telco in Digital Rights for **3rd consecutive year**



Trustworthy use of data
Maximum points by mitigating risks and harms

INTERNAL DATA CONTROLS

- ✓ Strict regulation and privacy policies (GDPR, Binding Corporate Rules)
- ✓ Robust governance model
- ✓ Privacy by design in our P&S
- ✓ Training on data security & privacy
- ✓ Supplier monitoring
- ✓ Risk management & Audits
- ✓ Consultation and complaint mechanisms

CUSTOMER EMPOWERMENT

Transparency Centres: We have web portals in all our markets so customers can access information on privacy or security matters



Centro de Transparencia

→ Security & cyber-security

Our mission is to make security more human and build trust and confidence. Maintain the highest levels of security is core to our business. Cybersecurity is also a relevant line of business


Targets

- 95% of suppliers' RFPs & contracts will contain security requirements by 2025

2022 performance

 **126,948** attendees on training courses in data protection and cybersecurity

 Detection & response: 17 (CSIRT) Network of Incident Response Centres

 At least once every six months, tests and drills on different scenarios potentially harmful to the Company

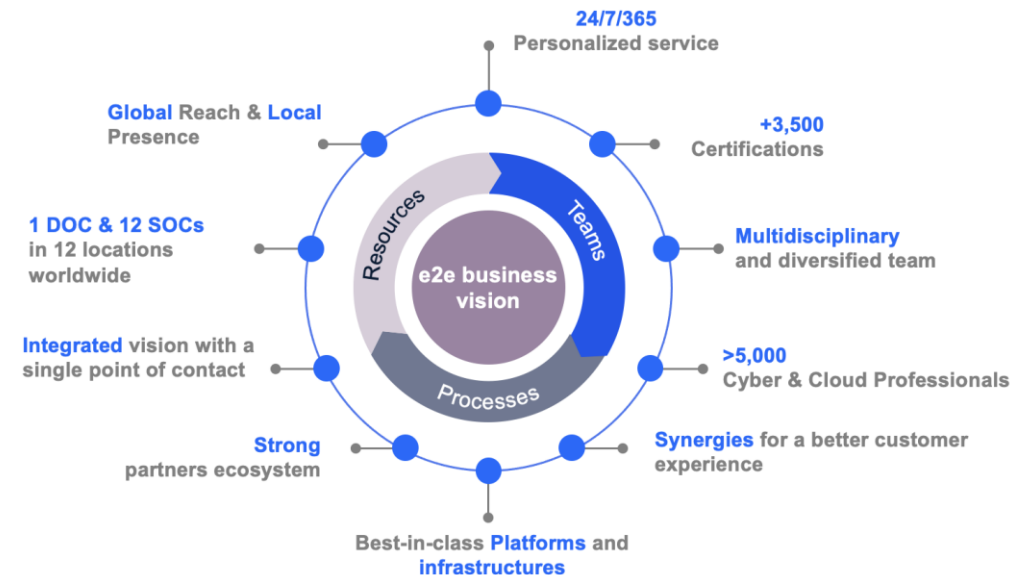
Internal security management

Prevention, detection and appropriate response in order to reduce attacks and protect digital services across the Group

- ✓ Physical and operational security (networks)
- ✓ Digital security
- ✓ Business continuity
- ✓ Fraud prevention
- ✓ Our security systems follow international standards such as ISO 27001 and NIST



Telefónica Tech has developed best-in-class E2E capabilities in Cybersecurity and Cloud



DOC: Digital operations centre
SOC: Security operations centres

<https://cybersecuritycloud.telefonicatech.com/en/why-us/doc>

→ Promoting sustainability in our supply chain

We cooperate closely with our suppliers on ESG issues and see them as partners in our common journey towards a more sustainable economy

Supply chain target


- Evaluate **100%** of potential high-risk suppliers in sustainability by the end 2024

↓

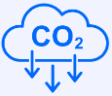
2022 performance

 In 2022, **72%** of potential high-risk suppliers were assessed in sustainability.

Sourcing locally

 **83%** of purchases are awarded locally

Scope 3 reduction

 We require our key suppliers to emission-reduction targets validated by the Science Based Targets initiative

Telefónica's supply chain approach is based on two pillars

1. Risk management 2. Engagement



4th most admired telecommunication operator in the world and 2nd in Europe

Fortune 500

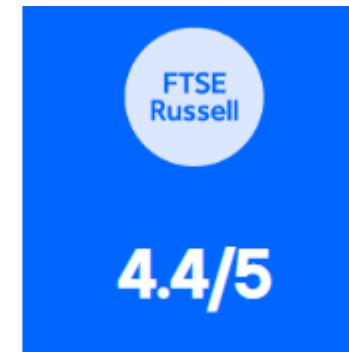
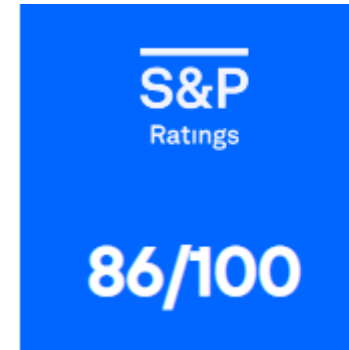


For more details on our sustainability strategy and the various initiatives that support our strategy, please refer to our 2022 Integrated Report



For more details on our social contribution and environmental goals and initiatives please refer to our 2022 Impact Assessment and Climate Change Action Plan

Measuring the social and environmental impact of Telefónica 2022





Telefónica