We connect people's lives
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José María Álvarez-Pallete

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12 THE THREE PILLARS OF OUR STRATEGY
• Growth, Efficiency and transformation, Trust

GROWTH
We work to achieve sustainable and long-term growth and to reduce the digital gap.

EFFICIENCY AND TRANSFORMATION
Our efficiency model is based on the digitalisation of processes and inclusive management of diverse talent.

TRUST
We build trust by prioritising the interests of our customers, employees, suppliers and shareholders.
THE DIGITAL REVOLUTION THE WORLD IS EXPERIENCING is without any doubt a technological revolution, but it is also a social revolution. A revolution which will generate great economic value and which can help to address challenges which human beings have been unable to address to date.

Only companies that understand and assume their responsibilities in view of this economic, social and technological change will count in the future.

Telefónica, with its first centenary on the horizon, is set to play a leading role in this future. We have all we need for this: the firm commitment of a team deeply involved in creating sustainable value for all our stakeholders; the action plan approved by the Board of Directors in November 2019 to build the New Telefónica; and four platforms that enable us to lead. I would like to highlight, for example, the more than 800,000 daily transactions with Blockchain in Telefónica’s supply chain in Brazil and the prediction of our Artificial Intelligence about future pollution levels.

All of this is oriented towards providing greater and greater value to our customers. Three hundred and forty-four million customers, which is equivalent to the population of the United States, who evince an increasing solid emotional link to the Company. Measured by the Net Promoter Score (NPS), it beats that of our direct competitors and improves by one point the score achieved the previous year.

The shareholders keep a sustainable and attractive dividend of 0.40 euros per share which reimburses their trust and the support they give the Company. With regard to the professionals at the Company, we can say with satisfaction that the indicator of Telefónica as a good place to work achieves a score of 58.4%, much higher than the 40% which is considered to be synonymous with excellence.
We are committed to creating sustainable, responsible and shared value. But although Telefónica’s commitment focuses first of all on the stakeholders closest to it, it is not confined to them. In 2019, we were once again a key driver of social progress: we contributed more than 52,000 million euros to the GDP of the countries in which we are present, with a tax contribution of nearly 9,000 million euro. This translates into dozens of schools and hospitals, and we generated more than 1.1 million direct and indirect jobs. In addition, we have strengthened our commitment to the principles of the Global Compact and to the Sustainable Development Goals of the United Nations.

We are fully aware of the urgent need to stem climate change and the role that digitalisation plays in achieving them. Our digital solutions can contribute efficiently to decarbonising the economy, starting with ourselves as we have committed to becoming fully carbon neutral in 2050. Telefónica’s engagement as regards action to fight climate change has been recognised again this year by its inclusion in the “A List” drawn up by CDP.

Our long-term commitment is not a mere declaration of intent and nor is it limited to the management of the Company. 20% of the variable remuneration of each and every one of our professionals is linked to long-term non-financial targets: improving customer satisfaction, progressing in gender equality, increasing social trust and reducing CO₂ emissions.

Our strategy reaffirms at the same time the three pillars which underpin the sustainability of Telefónica’s business model:

- **Sustainable growth**, in which we take into account all the social strata to make it inclusive and which in financial terms is reflected in the increase for the seventh consecutive year in income and OIBDA, in strong free cash generation and a significant reduction in debt;

- **Efficiency**, supported by the digitalisation of our processes and an excellent network in terms of quality and energy efficiency, to offer customers a better experience every day. From a financial perspective, this is reflected in solid profitability and better returns.

- And **trust**, which takes the form of constant improvement in reputation indices and is built upon our Responsible Business Principles, which seek to ensure the ethics, privacy, sustainability and respect for human rights throughout our entire value chain.

In short, the pages that follow show the reality of a **Company that is open, trustworthy and a challenger**, engaged in building its long-term future and committed in this respect to fostering more human societies on a habitable planet.

José María Álvarez-Pallete  
Chairman of Telefónica
Telefónica at a glance

Telefónica's mission is to make our world more human, by connecting people’s lives.

Solid financial results in 2019

INCOME

48,422 M€

+1.9% organic annual growth

55% income from Broadband and Digital Services

OIBDA

15,119 M€

CapEx

8,784 M€

+4.0% organic annual growth

Total remuneration to shareholders

0.4 euros per share in cash

Network operations

-130,000 mobile sites*

Coverage FTTx/cable

128 M Premises

112 PoPs*

34 Countries

71 Cities

27 Data Centers*

Expanded B2B presence

1. Infrastructure upon which we serve our customers. It includes internal and external network.
2. Premises passed, 55.7M in the proprietary network.
5. Number of Towers at February of 2020.
6. Traffic on IP network in the peak period.
7. Includes consortiums.

*Information at end of 2019.
We are leaders

**#1 WORLDWIDE**
Leader in managed services IoT (Gartner MQ'19)

**#1 EUROPE**
in deployment of FTTH (fibre to the home)

**#1 WORLDWIDE**
Leader ESG, Sustainalytics

Our data back us up

128 M
premises passed with fibre

+344 M
customers around the world

34
countries in which we are present

79% LTE coverage

113,819
employees

Advancing towards a more sustainable world

21% NPS
+ 1 pp vs 2018

-50% GHG emissions
Scope 1 + 2 (market method), base year 2015, -18% vs 2018

26% female executives
+ 3 pp vs 2018
Our impact on the community
We contribute to the United Nations Sustainable Development Goals (UNSD).

Telefónica invests more than 8 billion euros in network deployment every year

We are the leaders in fibre deployment in Europe, with 128 million premises passed. We have more fibre than the United Kingdom, Germany, France, Italy and Portugal combined

79% of the coverage in all our markets is 4G

We contribute 52.408 billion euros, which is equivalent to 3.4 euros for each euro in our gross operating margin to the GDP of the main countries where we operate

We contribute 8.705 billion euros to local tax authorities

We award 83% of purchases to local suppliers

We generate 9.57 jobs per person we hire in the countries where we operate

Impact on employment of the Telefónica Group: 1,163,450 jobs

Telefónica is included for the third consecutive year in the 2020 Bloomberg Gender-Equality Index

38% women in the workforce
25.6% of executives were women in 2019

2020 Target: 30% of women in executive posts

38% women in the workforce
25.6% of executives were women in 2019

2020 Target: 30% of women in executive posts
100% renewable-source energy in Europe and Brazil in 2019

72% reduction in our energy consumption per traffic unit in 2019 with regard to 2015

98% waste recycled in 2019

We avoid the emission of 3.3 times our carbon footprint thanks to the digital services

**ProFuturo**

Transforming education*

10.2 million beneficiaries in 34 countries

**CONECTA EMPLEO**

Classroom-based and online training Job Launchers*

More than 1 million people trained

**MIRÍADAX**

Online training*

Over 6.6 million students enrolled in MOOCS

* Projects of the Fundación Telefónica

Telefónica collaborates with public and private bodies to promote the achievement of Agenda 2030

More than 2.7 millions of fixed broadband subscribers

58.1% penetration of the LTE service in the customer base
We create long-term value

CUSTOMERS
At Telefónica, we know that our customers are our raison d’être. That’s why we work every day in every area of the company to gain their trust through integrity, transparency and a straightforward approach in terms of our products and services and our interactions with them.

We work towards a Responsibility by design approach to our products and services.

EMPLOYEES
We have designed initiatives aimed at fostering the inclusion of diverse talent, to attract and retain high potential professionals, get the best out of our employees, ensure their well-being, boost innovation and become more productive.

58.4% of the employees recommend the Company as a good place to work.

STRATEGIC PARTNERS AND SUPPLIERS:
Telefónica works with its suppliers and partners, co-creating and creating ecosystems around the business and jointly applying high standards of social and environmental management.

83% of the total volume of purchases was awarded to local suppliers.
SHAREHOLDERS AND INSTITUTIONAL INVESTORS
Telefónica offers our shareholders growth and profitability in a way that is sustainable in the long term. We have the objective of maintaining a continuous, transparent and equal relationship with all the minority and institutional shareholders.

52 engagement activities and 1,150 investors contracted.

GOVERNMENTAL AND REGULATORY BODIES
Telefónica has an open, transparent relationship with governments, regulators and international bodies. This is reflected in our Digital Manifesto, where we issue an appeal for the definition of a New Digital Compact centring on people which modernises the current policies, to achieve a fair, inclusive and sustainable digital transition.

We have presented it at more than 50 events in around twenty countries to institutions and regulators.

OPINION LEADERS AND MEDIA
We create close, trust-based relationships, founded on generating and transmitting truthful information, in a transparent, clear and responsible way.

7,000 interactions (1.0% more) through press releases, meetings and interviews.

SOCIETY
Telefónica is aware that it must leverage the new opportunities offered by digitalisation in favour of societies and economies. We are a driver of the communities where we operate and we have a considerable economic and social impact on them.

For every euro of gross operating margin obtained, we generated 3.42 euros that contributed to the GDP of the main countries where we operate.
The three pillars of our strategy

**GROWTH**

We work to achieve sustainable and long-term growth and to reduce the digital gap.

**EFFICIENCY AND TRANSFORMATION**

Our efficiency model is based on digitalisation of processes and inclusive management of diverse talent.
TRUST

We build trust by prioritising the interests of our customers, employees, suppliers and shareholders.

With growth, efficiency and trust, we will manage to meet the needs of our stakeholders:

- We adapt our offers to our customers’ needs.
- We share our purpose with our employees.
- We are key facilitators for the progress of societies.
- We create value in a shared and responsible way with regard to our partners.
- We give our shareholders growth and long-term efficiency.
GROWTH

Inclusive customer base
Sustainable products and services
Telefónica takes people into account and respects the environment. Aware of the importance of new technologies to ensure ethical and fair economic development, we are concerned about reducing the digital gap. In parallel, we develop specific services with a positive impact on the environment that enable us to increase our income, while we help to progress towards a low-carbon economy.
We gain relevance for the customer through our connectivity

We are aware that nowadays connectivity is a lever for inclusion

At Telefónica, we leave nobody behind:

- We have the best fibre network of the OECD: **128 million** premises passed
- Internet for All: this is an innovative project in Latin America to connect to the people who still do not have Internet in the region
- **79%** of LTE coverage in our footprint

Green finances

- **2019**: Telefónica issues the first green bond in the telecommunications sector for a value of **1 billion euros**
- **2020**: it issues the first hybrid in the world for a value of **500 million euros**

These funds are earmarked for financing the mass deployment of fibre in Spain with two basic objectives:

- Reduce energy consumption through the shutting down of **990 copper stations** in 2020 and of the systems supporting them, as fibre optics is 85% more efficient than the copper network
- **100%** of customers on fibre before 2025

Society

The communities with high-speed broadband increased their GDP by around 1.1% with respect to others who do not have this type of connection, according to different studies.

We are committed to ethical and sustainable products and services

Digital services:

Cybersecurity, Cloud, IoT and Big Data (growth +28% vs 2018)

Our goal is to transform our relationship with our customers

Aura is the cognitive intelligence at Telefónica for building a new model of relationships with our customers based on trust, through a simple voice interface in real time. It offers more than 1,500 use cases about Telefónica’s services and products in each country.

The mission of Smart Wifi is to create an ecosystem (HW, apps, APIs) with which our customers can enjoy all the possibilities of the network, in a safer way. This app makes it possible to optimise and manage WiFi inside and outside the home.

3.2 M tCO₂ saved for our customers

3 times our own carbon footprint

SUMMARY CONSOLIDATED MANAGEMENT REPORT 2019
We are anticipating the future

We are committed to innovation from the inside

Investment in R&D & Innovation / Revenue: 11.6%

Investment in R&D: 866 million euros

Industrial Property Rights portfolio (includes patents): 477

Investment in R&D &I: 5.602 billion euros
We build an innovation ecosystem around us

More than **500** Startups in portfolio/active

More than **100** Startups working with Telefónica

46 Open Future spaces

2 scouting centres belonging to Telefónica Innovation Ventures (Silicon Valley and Spain)

12 Startups invested in by Telefónica Innovation Ventures

7 Wayra hubs
EFFICIENCY AND TRANSFORMATION
The priority at Telefónica is customers and to these we want to offer them a simpler, totally digital experience. The digitalisation of our processes allows us, at the same time to generate savings. All this is backed by the best networks in the market, as regards quality and energy efficiency (fibre is 85% more efficient than copper), free of legacy networks and ready for 5G.

69% of processes digitalised

>420M€ in savings from digitalisation
Digitalisation and the Environment

The decarbonisation of Telefónica, on the way to becoming carbon neutral

Growth in data traffic on Telefónica’s networks

Energy efficiency
Reduce our energy consumption per traffic unit

-72% MWh/PB 2019
-85% MWh/PB 2025

Energy Efficiency Plan:
- Transformation of the network and shutting down legacy
- Power saving features (PSF)
- Modernisation HVAC and power equipment
- Lighting

Renewable energy

100% 2019
Europe and Brazil

82% 2019
85% 2025
100% 2030

Renewable Energy Plan:
- Certificates of guarantee of origin.
- Long-term purchase agreements (PPAs)
- Self-generation
1.5°C Scenario
Paris Agreement

Validated objectives
SBTi

Reduction of our GHG emissions (1+2)

-50% 2019
-70% 2030
Carbon Neutral 2050

Emissions from suppliers

-24% 2019 compared to 2016
-30% 2025 compared to 2016

Reduce by 30% the emissions from our supply chain per euro purchased.
We contribute to decarbonising the economy

**Customers**

Our services avoid 3.2 million tCO₂, which represents 3.3 times our own carbon footprint.

**Goal Net Positive**

For each tonne of CO₂ issued by Telefónica, avoiding 10 among our customers through connectivity and digital services.

**Circular Economy**

- 98.4% Waste recycled
- 4 M Devices reused

**Digital solutions for environmental challenges**

- Fire protection
- Smart Agro
- BIG DATA
# Digitalisation at the service of customers

## Digitalisation of our networks

### The best fibre network in Europe

- Fibre is **85%** more energy efficient than copper
- Objective: replacing **100% of the copper network** with fibre in Spain by 2024
- Nearly **500 copper switch stations** have already been closed
- Our fixed ultra-wideband network achieved **103 million** premises passed

### Leaders in network virtualisation

- Telefónica has transformed from being a supplier of communications services which is an innovator in technology to becoming a supplier of digital services which is a leader in digital services, according to Analysys Mason in its *Telco Cloud Index*.
- Deployment of UNICA in **10 countries**
- Transformation of the IP network core by **58%**

## Digitalisation and our customers

### Improvement of the digital experience in the sales process with an increase of **28%**.

### Blockchain applied to supply chain management: it is in excess of **800,000** transactions per day.

### Digitalisation of customer services:

- with a reduction of **12%** in calls handled at the call centres compared to 2018.
- **>14%** of calls to cognitive call centres were dealt with in a fully automated manner.
Prepared for 5G

Progress in the validation of new technologies such as ‘Massive MIMO’, ‘OpenRAN’ and ‘Open Source MANO’ for the orchestration of ‘Network Slices’ on the same infrastructure.

79% LTE coverage in 2019

103 million customers migrated to Full Stack.

Automation of processes: in 2019 >1,500 robots were deployed.

40 AI and Big Data products on the fourth platform.
The People in the Digital Transformation

We believe in diversity as a driver for the future

Our diversity and inclusion strategy is based on four pillars:

1. The Global Diversity Council
2. Meritocracy in recruitment and promotion
3. Diversity on the Board of Directors
4. Supply chain sustainability policies

113,819 Employees

26% Women executives vs. 23% in 2018. Objective: 30% in 2020

36 hours of training per employee

9,394 people aged under 30 joining the workforce

38% Women employees

Talent management, key for the transformation

The evolution of our business, the explosion of the data and the technological progress of our networks, the explosion of the data and the technological progress of our networks require new capacities from our teams.

New talent management

- Talentum grants
- Global Young Leaders Programme

Reskilling and Upskilling

- 35% of the training activities in Spain

New capacities

- + 4M training hours
- + 57,000 employees trained at DataAcademy
- + 14,000 people trained at Universitas

LIFELONG LEARNING
Our employees’ well-being

New ways of working:

Employee Net Promoter Score
Last year we decided to adopt the Employee Net Promoter Score (Bain & Company), this measures the degree to which Company employees recommend the organisation as a good place to work, on a scale of 1 to 10. This is obtained by taking the percentage of Promoters (those who give scores of between 9 and 10) and subtracting from it the percentage of Detractors (those who give scores of between 1 and 6).

Pay gap
Adjusted gap of 3.1% in 2019 compared to 3.4% in 2018.

Health and Safety
Over 90% of operators with a Health, Safety and Well-being management system (calculated based on the income of the operators).

A Health, Safety and Well-being management system at 60% of operators, certified in accordance with the ISO 45001 or OHSAS 18001 standard.
TRUST
Generating trust is the key point of any future business. And in our sector it is built by prioritising customer satisfaction and extends to the other stakeholders. We have to demonstrate that we are important for all of them, taking into account aspects such as ethical behaviour, cybersecurity, responsible use of technology and Corporate Governance.
Corporate Governance

Telefónica has a firm commitment to continually improve its Corporate Governance framework. To this end, we increase, strengthen and consolidate the best practices in this area.

An increasingly diverse Board of Directors

From left to right, seated on the bench, Mr José Javier Echenique Landiríbar, Vice Chairman and Independent Director; Mr José María Abril Pérez, Vice Chairman and Proprietary Director; Mr José María Álvarez-Pallete López, Chairman and Executive Director; Mr Isidro Fainé Casas, Vice-Chairman and Proprietary Director; and Mr Ángel Vilà Boix, Chief Operating Officer and Executive Director.

From left to right, standing, Mr Antonio García-Mon Marañés, General Vice-secretary and Vice-secretary of the Board; Ms Verónica Pascual Boé, Independent Director; Mr Juan Ignacio Cirac Sasturain, Independent Director; Ms Claudia Sender Ramírez, Independent Director; Mr Peter Löscher, Independent Director; Ms Sabina Fluxà Thienemann, Independent Director; Mr Peter Erskine, Other External Director; Mr Jordi Gual Solé, Proprietary Director; Ms María Luisa García Blanco, Independent Director; Mr Francisco José Riberas Mera, Independent Director; Ms Carmen García de Andrés, Independent Director; Mr Ignacio Moreno Martínez, Proprietary Director; Mr Francisco Javier de Paz Mancho, Other External Director; and Mr Pablo de Carvajal González, General Secretary and Secretary of the Board.

% of Directors with the following knowledge and skills:

- Economic financial: 59%
- Risks: 41%
- Innovation/Technology: 29%
- Engineering/Physics: 12%
- Legal: 12%
- Humanities: 12%

Number of Directors with international experience:

- USA: 4
- Europe: 17
- Asia: 3
- Latin America: 17

International Diversity

- Spain
- UK
- Brazil
- Austria

Women: 29.4%
Independent: 52.9%
Members: 17
Average duration Director position: 6.6 years
In 2019 we introduced variable remuneration linked to sustainability targets.

The Best Programme of Commitment to Shareholders

Commitment focusing on governance:

- Dissemination and discussions of the business strategy, performance, corporate governance, remuneration and sustainability with our 200 main investors.
- Thus far¹, direct contact with 38 investors as well as calls and in-person meetings in London and Paris.

Commitment to minority shareholders:

- 21 corporate events were held in 17 Spanish cities with a total of 600 attendees.

¹. As from 29 October 2019, which reflects the aggregate scope of the relationship efforts outside the season in 2018 in 2019.
Sustainability at the highest level

Approval

Board of Directors

Our Responsible Business Principles

Our ethical framework

Our Responsible Business Plan

Our roadmap for sustainability

Supervision

Sustainability and Quality Committee

Supervise the implementation of the Responsible Business Plan

Audit and Control Committee

It supervises the compliance function, the analysis and risk management process and the reporting processes at the Company.

Monitoring

Responsible Business and Reputation Office

Implementation

Corporate Support and Business Areas

Country Operators
We generate trust with Society

At Telefónica, we are aware of the challenges and changes demanded by society. This is why we serve the communities in which we operate with the highest ethical and human rights standards, in addition to supporting and promoting projects and investments that help to address the social, environmental, technological and economic challenges we have ahead of us.

**Responsible Business Principles**

Our Responsible Business Principles are embodied in the various policies and regulations approved by the Board of Directors or the Executive Committee. The major ones approved in 2019 were:

<table>
<thead>
<tr>
<th>Ethics</th>
<th>Human Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whistleblower Channel &amp; and Responsible Business Channel policies (updated in 2019)</td>
<td>Protocol of Action and Transparency in Handling the Media (approved in 2019)</td>
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</table>

<table>
<thead>
<tr>
<th>Supply chain</th>
<th>Responsible Communication</th>
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<tbody>
<tr>
<td></td>
<td>Reputational Crisis Committee (created in 2019)</td>
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</table>
Compliance

Training and Ethics

<table>
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<tr>
<th></th>
<th>TOTAL 2019</th>
</tr>
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<tbody>
<tr>
<td>Number of employees and</td>
<td>29,749</td>
</tr>
<tr>
<td>executives who received</td>
<td></td>
</tr>
<tr>
<td>anti-corruption training</td>
<td></td>
</tr>
<tr>
<td>Percentage of the members of</td>
<td>100%</td>
</tr>
<tr>
<td>the Board of Directors who</td>
<td></td>
</tr>
<tr>
<td>received anti-corruption</td>
<td></td>
</tr>
<tr>
<td>training</td>
<td></td>
</tr>
<tr>
<td>Percentage of employees and</td>
<td>93.2%</td>
</tr>
<tr>
<td>executives receiving training</td>
<td></td>
</tr>
<tr>
<td>on Responsible Business</td>
<td></td>
</tr>
<tr>
<td>Principles and Human Rights</td>
<td></td>
</tr>
<tr>
<td>since its launch</td>
<td></td>
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</tbody>
</table>

Reputation

Telefónica has decided to bring in reputation as a key pillar on which to build a vision that is consistent with the company's long-term plans. Thanks to this KPI, we can measure society's (customer and non-customer) perceptions of our overall performance and its future expectations.

We measure using the RepTrak Pulse® model to find out the emotional attraction of our brands

Admiration and respect
Esteem
Trust
Good impression

In 2019, we beat our expected annual target

Consolidated value of RepTrak Pulse® 2019 56.4 points out of 100
Trust as the basis of the relationship with our customers

Net Promoter Score (NPS)
Since 2018, this shows us whether our products and services meet or exceed our customers’ expectations and whether or not they recommend us.

Responsibility by Design
We want responsibility to be a key design factor that addresses innovation, incorporating matters related to reputation, sustainability, human rights, eco-design, privacy and data ethics from the outset.

Responsibility by Design means considering how we can use technology to achieve more sustainable products, from the initial idea to its delivery to the end customer.

The Responsibility by Design approach seeks to ‘ground’ these solutions and integrate them into our daily activity

- Highlighting the potential positive impact of our products and services with regard to these challenges.
- Minimising risks and anticipating regulation in the area of sustainability.
- Meeting the needs of our customers, who increasingly are looking not only to acquire just a product or service, but also to interact with more aware and committed companies.
Digital trust
To generate this trust, we have defined a four-pillar strategy as our commitment to the customer.

- **Privacy**: Transparency and access to give our customers control of their data.
- **Security**: Reliability and security of networks and systems, to be able to guarantee privacy.
- **Artificial Intelligence**: Ethical use of AI to promote people-centred digitalisation.
- **Children**: Protecting the most vulnerable collectives.

Digital confidence starts with Design

**Privacy**
Telefónica has a set of processes designed to ensure our commitment to the right to privacy of all persons to whose data we have access.

**Governance**
- • From the Board of Directors

**Policies**
- • Global Privacy Policy.
- • Governance Model Rule on Personal Data Protection.
- • Regulations Governing Enquiries from the Competent Authorities.

**Privacy/security by design**
- • Protecting privacy and security in the early stages of any product or product design or service that may affect personal data

**Transparency**
- • Global and local Privacy Centres.
- • Telecommunications Transparency Report
- • Personal Data Space: it enables our customers to access the data they generate during their use of our services

**Consultation and complaint mechanisms**
- • Responsible Business Channel. This is our first consultation and complaint mechanism
- • Voluntary mediation system with AUTOCONTROL
Security

**Digital security** is a key element of our business. Its ultimate goal is to ensure our resilience, in other words, the ability to withstand and contain attacks so that our business is not affected at all or, if it is affected, the level is tolerable.

We have tools and capabilities for the entire cycle of potential incidents:

- **Anticipation**, before it can affect us.
- **Prevention**, ensuring the protection of both facilities and assets, as well as customer data and identity.
- **Detection**, through twelve security operation centres.
- **Response** through a network of 15 Incident Response Centres (CSIRT)
  - Three high-impact incidents resolved.

Telefónica’s cyber-security unit is called **ElevenPaths**. We make security more human and give people the trust and peace of mind they need.

In 2019, ElevenPaths achieved turnover of 495 million euros

Artificial Intelligence

During 2019, we have been working on implementing our **AI principles** across our operations, focusing on three interrelated pillars.

- **Training for employees**
- **Responsible AI by design**
- **Governance**

**Training for employees**
- Self-assessment of P&S by online questionnaire

**Responsible AI by design**
- • Training through ethical course and AI
- • Simple self-assessment of Products & Services by online questionnaire

**Governance**
- **Level 2**
  - Expert support
  - Queries answered by designated experts in the different areas
- **Level 3**
  - Responsible Business Office
  - Submitting complex cases with an impact on reputation to the Responsible Business Office

Critical cases are moved up to level 3

If any queries arise, they ask the experts at level 2

SUMMARY CONSOLIDATED MANAGEMENT REPORT 2019

TRUST
Our commitment to and strategy for protecting minors on the Internet and promoting the responsible use of technology take the form of six lines of work:

1. **Alliances with stakeholders**
   - We participate in the ICT Coalition and in the Alliance to better protect minors online.

2. **Blocking of content**
   - We block content with images of online child sexual abuse, following the guidelines and lists provided by the Internet Watch Foundation.

3. **Audiovisual environment**
   - We foster the consumption of responsible digital leisure through an app for children, Movistar Junior.

4. **Products and services**
   - Promotion and development of parental controls and other multi-device security solutions that help us to better manage our digital life and that of our family: Movistar Protege and Smart WiFi are an example of this.

5. **Working together with our suppliers**
   - In the implementation of the basic mechanisms for the protection of minors, especially in the field of security, from the design of terminals and operating systems.

6. **Education and awareness-raising initiatives**
   - The Dialogando portal with content on protecting children online and responsible use of technology (digital gap, gaming, cyberbullying, grooming, cybercontrol, sexting, privacy, etc.).
Human Rights

Our due diligence

In line with our Global Human Rights Policy, we have a human rights due diligence process in place to identify, prevent, mitigate and remedy (potential and actual) human rights impacts.

Children

During 2019 we wanted to take a step forward in children’s rights. For this reason and based on the Rights of the Child and Business Principles developed by UNICEF (in collaboration with the Global Compact and Save the Children), we have used the MO-CRIA (UNICEF Mobile Operator Child Rights Self-Impact Assessment Tool) to assess the impact of our business on aspects such as access to inappropriate information.

Key human rights indicators*

<table>
<thead>
<tr>
<th>Metric Description</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees trained in human rights through the Responsible Business Principles course since its launch</td>
<td>101,431</td>
<td>107,017</td>
</tr>
<tr>
<td>% operations subject to a human rights impact assessment of 2013</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Number of on-site human rights audits of suppliers / labour issues, child/forced labour, health and safety, privacy and security)</td>
<td>9,989</td>
<td>11,601</td>
</tr>
<tr>
<td>Number of queries/complaints received on human rights through the Responsible Business Channel**</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**With respect to the number of significant investment agreements signed with clauses on human rights: there have been no significant investment agreements signed by Telefónica S.A. at a corporate level during the reporting level. Significant investment agreements are understood to be those that have given it a position of control of another entity and have started up a material project to invest capital for the financial accounts.

**The well-founded complaints filed on the internal complaints channel regarding human rights issues such as privacy, mobbing and discrimination are covered in the chapter on Ethics and Compliance (complaint and remedy mechanisms: consultation and complaint channels).
Suppliers, our allies

We work together to achieve high standards of social and environmental management, promoting respect for human rights.

A sustainable purchasing model

We have a global purchasing management model from Telefónica Global Services in coordination with the local purchasing teams in each country.

The model is aligned with our Responsible Business Principles and is based on transparency, equal opportunities, objective decision-making and sustainable management of our supply chain.

Digitalisation of our processes, providing greater efficiency, integrity and traceability

- We received **1,517,400** invoices issued electronically (+8% compared to 2018).
- We digitally signed **1,565** contracts and **4,236** letters of award.
- We trained over **5,115** suppliers in the electronic management of negotiations, orders and invoices.

25.274 M€

Volume of purchasing
Our approach: sustainable management of the supply chain in 2019

We foster collaboration and engagement

Joint Audit Cooperation (JAC)
We participate in the Joint Audit Cooperation sector initiative with 16 other telecommunications operators. We join forces to verify, evaluate and develop the implementation of sustainability standards in factories.

- 66 suppliers audited in 2019

Climate change partnership programme with key suppliers
We work on managing emissions in our supply chain both globally and locally.

-24.6% CO₂ emissions of our supply chain per euro purchased, with respect to 2016.

Objective: -30%