

NOTA DE PRENSA

PRESS RELEASE

The company places long-term value creation as the focus of its strategy in the 2018 Consolidated Management Report

FOR THE FIRST TIME TELEFÓNICA LINKS 20% OF THE VARIABLE SALARY TO SUSTAINABILITY GOALS.

- **The sustainability goals will be: the customer's and society's trust, equality, and climate change.**
- **The major pillars to achieve its goals are sustainable growth, inclusive connectivity, efficiency in all operations, and the credibility and trust of society.**
- **The company accelerates its diversity plans and agrees, among other initiatives, to have 30% female directors by 2020**
- **The company broke a new record in customer satisfaction with a score of 7.64 compared to the previous fiscal year's 7.58, surpassing the competition in 11 markets.**
- **100% of the energy consumed by the multinational company in Europe and Brazil, and 58% at group level, is already completely renewable.**
- **Telefónica contributed 53 billion Euros to the GDP of the countries in which it operates.**

Madrid, 26 March 2019.- Telefónica presented today in the company headquarters in Madrid its 2018 Consolidated Management Report, in which it established its commitment with the creation of long-term value, and sets the pillars for the future of a company based on sustainable and inclusive economic models.

Laura Abasolo, Chief Finance and Control Officer at Telefónica, S.A., and Elena Valderrábano, Director of Corporate Ethics and Sustainability, explained that the company is committed to, and working towards, a completely sustainable world: socially fair, safe for the environment, economically prosperous, inclusive, and more predictable.

These objectives can only be achieved through long-term work on three strategic pillars: sustainable growth through inclusive connectivity, credibility and confidence of society, and efficiency in all operations.

Building from the credibility and trust of society

In 2018, the company improved the relationship with its stakeholders -shareholders, customers, and communities in which it operates- and the result was that the customer satisfaction

index reached **7.64, the best score** of recent years. **Forbes** magazine also chose the company as the most admired Telco in Europe, and the third in the world.

As a novelty, for the future it will adopt the Net promoter Score (NPS) indicator, which measures in a more exhaustive way the relationship with the clients.

Telefónica invests in the deployment of **networks** and develops innovative solutions to bring the benefits of the information society to everyone, regardless of their location, economic situation, or disability.

This year, the Privacy Policy was reinforced for all countries, and the Ethical Principles of Artificial Intelligence were developed.

Services such as “Smart WiFi”, “Safe Connection”, “Movistar Junior”, or “Connected Car” make it easier for customers to safely management their communications, and seek digital well-being for the entire family. Hence the impulse of **Dialogando**, a free platform which addresses the responsible use of technology in matters such as digital identity, privacy, *cyberbullying*, video games, education, driving..

Movistar+ 5S, free service so that people with sensory disabilities can access the Movistar+ platform’s television series and films through the three accessibility systems: audio description, subtitling, and sign language are consolidated and are part of the global commitment to be a completely accessible company.

The idea is to improve the perception of the company of customers and society in general, promote gender equality to have a more diverse organization and simultaneously act as an engine for social change in this area, and continue to reduce our CO2 emissions, and those of our customers, in order to curb climate change. These objectives already represent 20% of the variable total for executives, and throughout the year for all employees.

- ***Impact on Society:*** Telefónica contributed **53 billion Euros** to the GDP of the countries in which it operates. Telefónica’s activity is estimated to contribute 0.5% to the total wealth generated in the countries where it is present, representing a contribution of 3.4 Euros for each gross margin Euro (OIBDA). This amount includes both the direct impact that Telefónica represents, and the indirect impact (in other words, the impact generated throughout the value chain in providers and other agents), as well as the induced impact.

Telefónica's total contribution to public finances around the world surpassed **10 billion Euros (2.7 billion in Spain)**. Almost €21 of every €100 that the company generates are allocated to the payment of taxes.

In 2018, **10,500 providers** worked with **Telefónica**, and the company spent **25.804 million euros in purchases**, 80% of which was awarded to local providers.

Growing in a sustainable manner

Telefónica linked its growth to connectivity, basic tool that guarantees the development of communities, and that must increasingly be broad and inclusive, together with the start-up and commercialization of services that make it possible for customers to generate a positive impact on the planet.

Inclusive connectivity involves the deployment of networks in all the countries where Telefónica is present, even in the most remote rural areas, ensuring the affordability of the offer with a wide range of services for all social classes. In this way, and thanks to the *Internet For All* initiative, **Movistar already provides service to 600,000 people in Peru.**

The deployment of fibre and cable network this year reached **83 million premises**, and LTE / 4G coverage is **76% globally**, already practically **100% in Europe**.

In addition, Telefónica positively contributes to sustainability through its Cloud, IoT, Big Data, etc. products and services which help society to more efficiently manage infrastructures, energy, and natural resources, as demonstrated by the fact that customers have managed to reduce their emissions into the atmosphere by more than 1.4 million tons of CO2 thanks to those products and services.

Pursuing efficiency and positive environmental performance

The digitalization of networks and operations, virtualization, energy efficiency, and the Renewable Energy Plan, are some of the axes in which Telefónica works to achieve efficiency.

Thus, at the end of 2018 the multinational had already digitalised **65% of all its processes**, especially its commercial processes, and hopes to complete this transformation by 2025.

Moreover, FTTH (Fibre To The Home) is **85% more energy efficient** in customer access than the copper network. In addition, this avoids half of all breakdowns, and contributes to the circular economy through the recycling of large quantities of copper.

We can also close technical buildings in the copper to fibre transformation project that we are implementing in Spain, thus generating added efficiencies. Thus, despite the fact that the rate of closure in our country is limited by regulations, so far 255 exchanges have been closed, and we have avoided at least 208 KWh and more than 56 KtCO2 in energy consumption, approximately equivalent to the carbon captured by **900,000 trees and in a year**.

All of this contributes to achieving some ambitious energy and emissions goals for 2020 and 2030, goals which received external validation by Science-based Target Initiative because of their adaptation to the Paris Accord.

The company has fulfilled these objectives two years ahead of time:

- Energy consumption per unit of traffic (Petabyte) **is located at 64% compared to 50% expected.**
- **58% of the energy** used comes from renewable sources (**100% in its European operations and in Brazil**), **8 percentage points higher than its goal. The commitment is to globally reach 100% by 2030**
- Scope 1 and 2 greenhouse gas emissions have fallen by **37%** compared to the 30% that was established. The objective is to reduce them by half by 2030

In line with its environmental commitments, Telefónica **reused 5 million communications equipments**, including almost **four million routers** and decoders, and more than **800,000 mobile phones**, thereby generating **4% less waste** than in 2017, and recycled **97%** of said elements.

In January 2019, Telefónica issued the **first Green Bond** launched by a telecommunications operator, totalling **one billion Euros in a period of five years**. The revenues obtained will serve to finance projects aimed at increasing the energy efficiency of the company thanks to the transformation of the copper network in an optical fibre network in Spain. In total, more than 310 investors have participated, more than 80% of which are international investors. Worth highlighting is the high participation of **green investors, close to 50%**.

Development of Human Capital and Diversity. The challenge of Telefónica's transformation would be impossible without the best human team: Telefónica closed the year with a workforce of more than 120,000 professionals, 97.7% of which are permanent. The impact on society is not only regarding employees. Telefónica generates 1.2 million jobs between direct, indirect, and induced jobs in the entire set of geographies where it operates.

Furthermore, workers are being trained in new commercial and technological skills such as the Cloud or artificial intelligence. Last year, **95% of them** participated in some type of training initiative, and approximately one-fifth of the total did so in Big Data issues and digital skills.

In 2017, the Board of Directors defined diversity as the main source of talent, setting two priorities: to reduce the gap for women in positions of responsibility in the company, and to attract young talent. A Diversity Council including high level managers is responsible for promoting the initiatives necessary for moving forward in this field.

In this way, the human evolved towards greater diversity. **38% of the workforce** already consists of women, and these women represent **23% of all managerial positions**. The goal for 2020 is for this proportion to increase to **30%**.

Having people of different cultures, genders, sexual orientations, races, generations, capabilities, profiles, etc., and beyond all this, is a priority, people with different thoughts and that are motivated. This is why in 2018 it was one of the first companies to publicly commit to the right to **digital disconnection of employees** as a key element to improve its balance between personal and professional lives. Internal regulations regarding safety, health, and well-being have also been created in a broad sense.

To access the 2018 Consolidated Management Report:

<https://www.telefonica.com/documents/153952/13347920/Telefonica-Integrated-Management-Report-2018.pdf>