



# Fiscal Transparency

Telefónica, S.A.

September, 2024

## FISCAL TRANSPARENCY



In accordance with the Principles of Responsible Business of the Telefónica Group, we **ensure compliance with tax laws**, regulations, and regulatory obligations, both national and international, respecting both their letter and their

spirit and purpose, through a close **cooperative relationship with the tax authorities** based on mutual respect, transparency, trust, and dialogue.

In this respect, Telefónica, S.A. is a member of the AEAT's **Code of Good Tax Practices**, submits the corresponding transparency reports, participates in the cooperative compliance program in the United Kingdom, and participates in various international forums aimed at promoting and developing the OECD's good practice recommendations.

In this regard, the Company, in the course of its business, and in accordance with the recommendations of this Code, operates in jurisdictions that have adopted the standards of transparency and exchange of information recommended by the OECD and, in particular, with those established under Spanish tax law, avoiding the use of corporate structures for the purpose of concealing or reducing the transparency of its activities vis-à-vis the tax authorities or any other stakeholder.

Therefore, Telefónica will not create or acquire entities domiciled in any of the jurisdictions included in the list of tax havens established in Spanish regulations. If for business reasons the presence of a carrier in a territory classified as a tax haven were to be necessary, authorization would be sought from the Board of Directors.

The Group's operations in territories regarded by other bodies as having little or no taxation exist solely and exclusively for economic and commercial reasons (Business Purpose), and have the material and human resources needed to conduct the activities, without, under any circumstances, the object of these operations being the transfer of profits to those jurisdictions in order to obtain a reduction in the tax burden.



We also ensure **transparency in our financial reporting** to investors and the company, and work to facilitate understanding of our tax affairs by providing, in a prompt and non-discriminatory manner, verified, complete, timely, and clear

information in the reports we file with the relevant Securities Markets Supervisory Bodies, as well as in other public communications of the Company.

We have at our disposal clearly established procedures for the identification, assessment, **control, and management of tax risks** generated as a result of economic activity and mechanisms that establish different levels of approval and communication of transactions with special tax risk, or significant transactions of a high amount or special characteristics.

Telefónica, in the interests of applying the highest standards of transparency, makes available to all those outside the organization, whether or not they have a direct relationship with us, as well as to stakeholders (suppliers, customers, etc.) and other interested parties, **the Group's fiscal governance framework**, comprising the following documents: [Fiscal Strategy and Fiscal Control Policy](#), which can be consulted on our corporate website.

This strategy is intended to be permanent. Independently, and in order to ensure that it fulfils its purpose at all times, it is subject to annual review by the Group's Tax Department and may be amended, subject to approval by the Board of Directors, when circumstances so advise.

This fiscal governance framework aims to **increase the confidence** of internal and external **stakeholders**, ensuring that tax issues are identified, appropriately managed, and taken into account in the tax returns and financial statements of the Group companies.

On the other hand, in order to achieve our goal of complying with the highest standards of fiscal transparency, Telefónica has included in the company's annual management report the necessary references to comply with the tax requirements established by the **Global Sustainability Standards Board (GSSB)**, the called **GRI Standards**.

Besides, the Group maintains a **responsible transfer pricing policy** aligned with the OECD Transfer Pricing Guidelines for all transactions between related parties and entities, ensuring the principles of free competition and value creation, in accordance with the functions, assets, and assumption of risks and benefits in the jurisdictions in which it operates.



Lastly, we are committed to contributing faithfully and loyally to **sustaining the public finances** of the countries and territories in which we operate. **Our economic and social contribution** is not only quantifiable via payment of the Corporate

Tax, but also through other specific contributions in the various countries where we operate, such as fees (for Public Domain Use, for Radio and Television Corporation Financing, among others), local taxes, and Social Security payments, as well as other similar contributions in the remaining countries. In addition to these direct input taxes, we generate revenue to public coffers, as a result of our activity and on the part of other contributors, other amounts that must be considered within the total tax contribution the company makes, such as indirect taxes, workers' withholdings and other withholdings.

In this context and during 2023, our **total tax contribution (TTC)** was **7,580 million euros** (2,464 million euros to input taxes and 5,116 million euros to output taxes), which means that, for every 100 euros of the Company's turnover, 19 euros are allocated to tax payments (6 to borne taxes and 13 to collected taxes). You can access the total contribution by jurisdictions on our corporate website.



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