Chairman’s Speech

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Chairman & CEO

GENERAL SHAREHOLDER’S MEETING 2022

This document is complemented by a video about ‘Results for the year 2021’
Available here
Dear Shareholders, Ladies and Gentlemen,

This is not just another General Shareholders Meeting in Telefónica’s long history. It cannot be. These are extraordinary times. We are witnessing the dawning of a new era.

In a short period of just six years, we have experienced the trauma of the break-up of the European unity with Brexit, the irruption of post-truth in our societies, a global pandemic that paralysed our lives and, in the last few weeks, an armed conflict in Europe not seen since the Second World War. All of this is enhanced, influenced, or caused in some way by the fact that we are immersed in the greatest technological revolution in the history of Humanity.

These are *extraordinary times*: Brexit, post-truth, pandemic, war & technological revolution

We are witnessing the dawning of a *new era*.

Our life has changed, and the change is now irreversible. The pandemic not only shocked us because it made us face the unimaginable but also temporarily took away what we considered to be ours forever, like the freedom to move, to travel, to meet, to work in our offices, to go to the cinema or theatre, to go shopping. It made us feel vulnerable, made us realise that we are not invincible. We took refuge in our homes and merged our analogue and digital lives into a single life. As individuals, families, and companies, large or small, we had to lose the fear of digitalisation.

Each week of confinement accelerated the passage of time by a year, so that we emerged from the pandemic in a different world. The way we work, interact with each other, entertain ourselves, shop, inform ourselves is already different and will never be the same again.
Post-truth has also arrived in our world. The internet, social networks, platforms and devices have changed the way we engage with each other, the way we inform ourselves, who we give credibility to, who we believe is telling us the truth or the truth we want to believe in.

If the arrival of television or radio changed society, we are witnessing something much more profound. Radio and television were about people who wanted to inform or influence us, and we built a legal framework to ensure the right to the truth. We are losing that right because now it is algorithms not people, that feed us whatever appeals to us the most. Algorithms that make us spend more time within those platforms in closed environments, to profile us better, to know us better, to be able to place advertisements and those products to match us better.

But, in exchange for this, we are witnessing an attack on Truth, the cornerstone of our coexistence. We are locked into what we want to hear, and our eyes are closed to other points of view, to the richness of debate, to the diversity of a society that is not and should not be uniform. We are being tribalised and it is machines that are doing it. Brexit and the pandemic already showed the cracks in the most radical model of globalisation, but the war in Ukraine has now broken it for good.

War has shaken our consciences definitively. It has made us see how, overnight, peace, the territorial integrity of a sovereign nation, the lives of millions of innocent families came under attack on the European continent. Just a short distance from our own homes, war and conflict that we considered far-away and alien, are suddenly here, on our doorstep.

And the comfortable distance with which we contemplated those remote conflicts suddenly turns into surprise, disbelief, indignation, rebellion, solidarity and determination to defend our ideas, our values, our way of life and to stand up to what we consider unfair.

The world of radical globalisation has disappeared. Suddenly, we realise that our economies are vulnerable to energy prices, and very much so. But not just to that.

The logistics chain, food production, fertilisers, semiconductors, noble gases, rare metals, make us realise that our economic model is fragile. And that it is based on a global trade model under commercial terms with societies that do not share our values. We also realise that these counterparts do not hesitate to use our dependency to try to impose their way of seeing the world on us. A way of seeing the world that is alien to us and which we legitimately reject.

We all have within us the hope that all these events are exceptional and that, somehow, everything will return to the way it was before, that the world we were comfortable in will return. It’s a natural feeling. We want to go back to what we understood, what we somehow controlled, and where everything could be framed within the predictable. But it is not. That world is gone and will not return.

We are entering uncharted territory, with different rules, where we must live with the fear of the unknown, where nothing is guaranteed. And we will have an urgent need, as a society, to fight to defend the values we believe in. Freedom, solidarity, compassion, unity, ethics, and the unquestionable fact that it is people who should be at the centre of everything.

People must be at the center and decide what values we want

When the pandemic wanted to take away the security of our world, when it made us retreat in our homes with fear embedded in each and every one of us, there were people who stepped forward, confronted the problem and searched for a solution.
These were the health workers, the security forces, the people in the food chain, those in the telecommunications networks, who gave us hope. And it was privileged minds that found, within months, vaccines against an unknown virus. Vaccines that would normally have taken more than 10 years to arrive, were available in 10 months. The world could have stopped, and it didn’t because of technology, but it was people who rebooted it.

When post-truth comes to challenge the pillars of our coexistence and algorithms want to take control of what we think or want, people emerge.

In the face of online hate campaigns viralised by machines, human mobilisation campaigns that artificial intelligence cannot understand emerge. And they bring out millions of citizens to applaud gratefully at 8 pm from the windows of their homes or to mobilise to welcome more than 4 million people who had to leave their country because of a cruel war.

When the greatest migration challenge since World War II threatens to overwhelm the established system, it is people who have made compassion and solidarity go viral.

When Brexit, the pandemic and war have called into question the idea of the Welfare State, the idea of Europe, and we feel overwhelmed, Europe’s determination steps forward. Europe has mutualised debt for the first time in its history and is committed to a recovery that leaves no one behind, investing in society and focusing on the future.

When barbarism threatens freedom, it is when society comes together and decides to stand up to the challenge. It is we, the people, who decide which values we want to share and defend.

Yes, it is a new world, and yes, it has ended the world we have known to date, but we can move on to something better.

We are living through the greatest era of change in human history and the greatest accumulation of technology of any generation ever. We have to channel this technology to put it at the service of the people and help us to solve problems that have been unsolvable until now. Technology is not good or bad in itself; it all depends on the purpose we want to use it for. We can miss the world that is gone, but we must also aspire to a better world.

The real revolution is coming, and that is the arrival of artificial intelligence. It has just begun, and it will not stop here. We can already see the arrival of the combination of the internet, artificial intelligence and web 3. This will lead to the metaverse where we will move from a 2D internet to a 3D one. It is a time of profound change, even more profound than the arrival of the internet at the end of the last century.

The way we citizens use the Internet will reach another dimension. This will bring new challenges to individual and collective sovereignty, economic and social models, respect for people’s dignity and privacy, individual and collective identity, and, ultimately, the social contract. It’s a change of era and it’s going to require the best of us to make it right.

The way we use technology will shape our future

Technology is already here, and it will continue to break boundaries. How we use it will shape our future. It is a time of collaboration, not conflict. It is a time for pacts rather than blocs. It is a time to imagine the future we want and to build it together. Everything is going to change again. And all this will happen in our networks. We are essential.

Everything will happen in our networks. We are essential.
Telefónica has the responsibility to participate in this change. This whole new world is passing through our networks, and we are witnessing it happen. We were born 97 years ago to communicate with people through voice, but our world has also changed, never to return. From voice we moved to data, from data to digital services and from there to artificial intelligence, on the way to the metaverse. We have a role to play because in the last six years we have changed, and we have prepared for it.

In the last six years we have changed, and we have prepared for it

With 370 million customers, 47 million more than 6 years ago, we are a bigger platform than Twitter or Netflix. 370 million customers whose lives flow through Telefónica’s networks.

The data traffic passing through our networks has increased tenfold. The robustness of our networks has been tested and we have been up to the challenge, with more sustainable technologies.

We have a data processing capacity of 11.5 Petaflops, higher than the largest Spanish supercomputer. And a data storage capacity of 176 Petabytes, equivalent to 26 centuries of high-definition content, which has multiplied by almost three in the last six years.

With more than 3.9 million kilometres of fibre, we have already deployed fibre to go to the moon and back more than 5 times, and we will go a few more. Our ultra-broadband network is the largest outside China, and we continue to grow. We are pioneering 5G and the application of artificial intelligence to next-generation networks, as well as new architectures such as Open RAN.

In the last six years, broadband and digital services revenues have grown from less than 50% to 70%. We have invested almost 48 billion euros, we have carried out corporate transactions for more than 35 billion euros, including the largest transaction in our history. We have reduced debt by more than 23 billion, we have increased equity by more than 3 billion. And we have given our shareholders more than 15 billion euros in dividends and share buybacks.

We are committed to net zero emissions by 2025 in our main markets and we are a key player in the decarbonisation of the economy.

We are key in decarbonising the economy

We are committed to inclusive digitalisation, bringing our infrastructures and services to all corners of the world and training in digital skills so that no one is left behind. Our reach goes further than anybody else’s. And the actions of Fundación Telefónica in 2021 have benefited almost 25 million people in the world and we have more than 60 thousand volunteers.

We have now reached 30% of women in management positions and our Board of Directors has grown from 11% women to 33% today. And that makes us better.

This transformation is not done alone, it is done by the people who are part of this great company.

Telefónica is a different company today from the one it was six years ago. A company that has prepared itself for a new world. A company that feels capable and legitimised to contribute to defining the rules that should govern this new era.

Telefónica is a legitimised company to face this new world

The last six years have involved us in exceptional events. They have taken us out of a world we knew and understood and have transported us into uncharted territory. The last six years have made us live with uncertainty and fear. But they have also forced us to react, to change, to bring out the best in ourselves, and to reinvent ourselves.
This change has only just begun and there are still some exceptional developments to come. As a society we must make it good, build something better on what we left behind, build it on solid values, build it on humanist values.

This sector is not just another sector. It is a gateway to the future.

“We want to make our world more human by connecting people’s lives”. That is our purpose. That is what we can bring to the new world. Being connected or not connected has never made such an important difference before.

Thank you for your trust. With it, we will take our company into this new era.

José María Álvarez-Pallete
Chairman & CEO
Telefónica S.A.