






Leading by example

2.11. Governance and sustainability culture

GRI 102-29, 102-30, 102-31, 102-32, 102-33

KEY POINTS

-  Our code of ethics, also known as Responsible Business Principles, governs everything we do and say. It serves as our compass for conduct and decision-making based on integrity, transparency and commitment.
-  Our Responsible Business Plan is approved and overseen at the highest level. It translates our code of ethics into concrete objectives and KPIs, which are then incorporated into the company's Strategic Plan.
-  Sustainability forms a steadfast part of our organisational culture and is substantiated via the integration of ESG in key areas related to our employees: business objectives, variable remuneration, training and awareness campaigns.

2.11.1. Governance

GRI 103, 102-16, 102-20, 102-26, 102-30, 102-31, 102-32, 102-33

At the Telefónica Group, we have a code of ethics and conduct—our Responsible Business Principles—and a Sustainability Policy, which govern what we say and do in our daily activities in order to act with integrity, commitment and transparency.

This code of ethics was reviewed and updated in 2021 to ensure that it continues to meet the new demands of the market and society with the utmost rigour. This update highlighted issues such as respect for, and promotion of, human and digital rights; as well as innovation, development and responsible use of technology, emphasising the importance to the company of both these areas. Further issues have also been included (climate change, the circular economy, new ways of working and elimination of barriers, etc.) as necessary in the current working and social environment.

To ensure that our Responsible Business Principles are the common thread running through everything we do, we have a **Responsible Business Plan** that includes targets and projects in every key area of the Principles and the three pillars of our strategy: leading by example; helping society thrive; and building a greener future.

We incorporate the objectives of the Responsible Business Plan into the **company's Strategic Plan**, which reflects the non-financial indicators reported in this document. Some of the major objectives of the Responsible Business Plan are also included in the variable remuneration of all employees, including members of the Executive Committee.

Main sustainability governing bodies

Approval	Board of Directors
Supervision	Sustainability and Quality Committee Audit and Control Committee
Follow-Up	Responsible Business Office
Implementation	Corporate Business and Support Areas Country Operators

The **Board of Directors** approves the Responsible Business Principles, the Responsible Business Plan and the most important associated policies on anti-corruption, environmental management, privacy and sustainable management of the supply chain. This forms our ethical and responsible business framework and the roadmap for all employees.

The **Board's Sustainability and Quality Committee** oversees the implementation of the Responsible Business Plan at its monthly meetings. In addition, the **Audit and Control Committee** plays an important oversight role in ethics and sustainability as it supervises the compliance function, the risk analysis and management process and the company's reporting processes.

The Responsible Business Plan is monitored by the **Responsible Business Office**. The heads of Compliance and DPO, Audit, General Secretariat, People, Sustainability, Communication, Security, Purchasing, Technology and Operations, Global Consumer and Telefónica Tech meet four times a year. The Responsible Business Office reports to the Sustainability and Quality Committee through the Global Sustainability Officer.

The **Corporate Business and Support Areas**, on the one hand, and the Country **Operators' executive committees**, on the other, are responsible for implementing the objectives of the Responsible Business Plan.

To put the Responsible Business Plan and Principles into practice, we have a specific training course for employees, as well as global policies and regulations approved at the highest level and mandatory for all Group companies/employees. The following are our main policies:

Main Telefónica Group sustainability policies and regulations



Ethics

- Global Anti-Corruption Policy
- Compliance Function Policy
- Crime Prevention Policy
- Internal Rules of Conduct
- Compliance Function Policy
- Regulation on the Prevention and Management of Fraud in Telecommunications
- Regulations on Relations with Public Entities
- Complaints Channel Management Policy
- Corporate Policy on the Comprehensive Discipline Programme
- Fiscal Control Policy
- Risk Management Policy
- Consolidation Reporting Compliance Manual
- Conflict of Interest Regulations



Supply chain

- Supply Chain Sustainability Policy
- Supply Chain Sustainability Regulations
- Low Carbon Procurement Instruction
- Procurement of Goods and Services Regulations
- Supply Chain Security Regulations



Privacy and freedom of expression

- Global Privacy Policy
- Personal Data Protection Governance Model Regulations
- Regulations on Requests from Competent Authorities in Security
- Global Security Policy



Human capital

- Protocol for Action in Situations of Workplace or Moral Harassment, Sexual Harassment and Discrimination
- Occupational Health, Safety and Well-being Regulations
- Diversity and Inclusion Policy
- Diversity Policy in relation to the Board of Directors and Selection of Directors
- Remuneration Policy for Telefónica, S.A. directors
- Policy on Appointments and Removals of Directors
- Regulations of the Appointments, Compensation and Corporate Governance Committee



Human rights

- Global Human Rights Policy
- Principles of Artificial Intelligence



Responsible communication

- Market Disclosure Regulations
- Shareholder Communication Policy
- Responsible Communication Regulations
- Social Media Regulations



Environmental management and climate change

- Global Environmental Policy
- Energy Management Policy

2.11.2. Culture aligned with ethical and sustainable management

GRI 102-27

Besides ensuring ethical behaviour and the responsible management of our business, our ultimate goal is to incorporate corporate sustainability activities and strategies as a **key part of our organisational culture**, bringing internal conduct, processes and objectives in line with the company's purpose and values.

In doing so, we are guided by our Responsible Business Principles, which are developed across 10 thematic areas:

1. **Ethical and responsible management.**
2. **Corporate governance and internal control.**
3. **Respect for and promotion of human and digital rights.**
4. **Our commitment to the environment.**
5. **Innovation, development and responsible use of technology.**
6. **Responsible communication.**
7. **Our commitment to customers.**
8. **Our commitment to employees.**
9. **Our commitment to the societies in which we operate.**
10. **Responsible supply chain management.**

To further **align internal culture with ESG** (environmental, social and governance) factors, we systematically link all aspects of sustainability to long-term business value, ensuring **that every internal process and activity is consistent with our purpose**. Moving the organisational culture forward, and including commitment to sustainability, is a long-term task that requires shared vision and commitment at every level of the organisation.

We highlight several work streams that offer a practical view of how we work to help the organisation progress towards sustainability:

- **Training and awareness:** first and foremost, building an organisational culture in the field of sustainability requires the provision of training for all our employees. For this reason, we continuously train our entire workforce in Responsible Business Principles and Human Rights (for more information see chapter 2.12. Ethics and compliance). In addition, specific strategic training is given annually on key issues such as privacy, digital security, ethics and artificial intelligence, accessibility and diversity. Training is accompanied by intensive internal communication campaigns and awareness-raising events.



[Go to chapter 2.12. Ethics and compliance](#)

- **Internal processes and activities:** our aim is for every employee to understand that sustainability is part of our daily activities. Sustainability is an element that brings value and differentiation to the different areas of the business. For example, in 2021, we systematically incorporated ethical and sustainability aspects into product and service development processes. In this framework, we trained employees in specific ethical and sustainability issues related to the design of our products and services, such as impact on human rights, eco-design, accessible products and services, social impact and data ethics (for more information, see chapter 2.9. Responsibility in our products and services).



[For more information, see chapter 2.9. Responsibility in our products and services](#)

- **Alignment with business priorities:** in addition, it is necessary to present a business case to demonstrate alignment with ESG factors. This means systematically linking all aspects of sustainability to business value. Sustainable businesses must be measurable. One example would be the Eco Smart services, in which we offer our customers digital solutions designed to help reduce their impact on the environment.



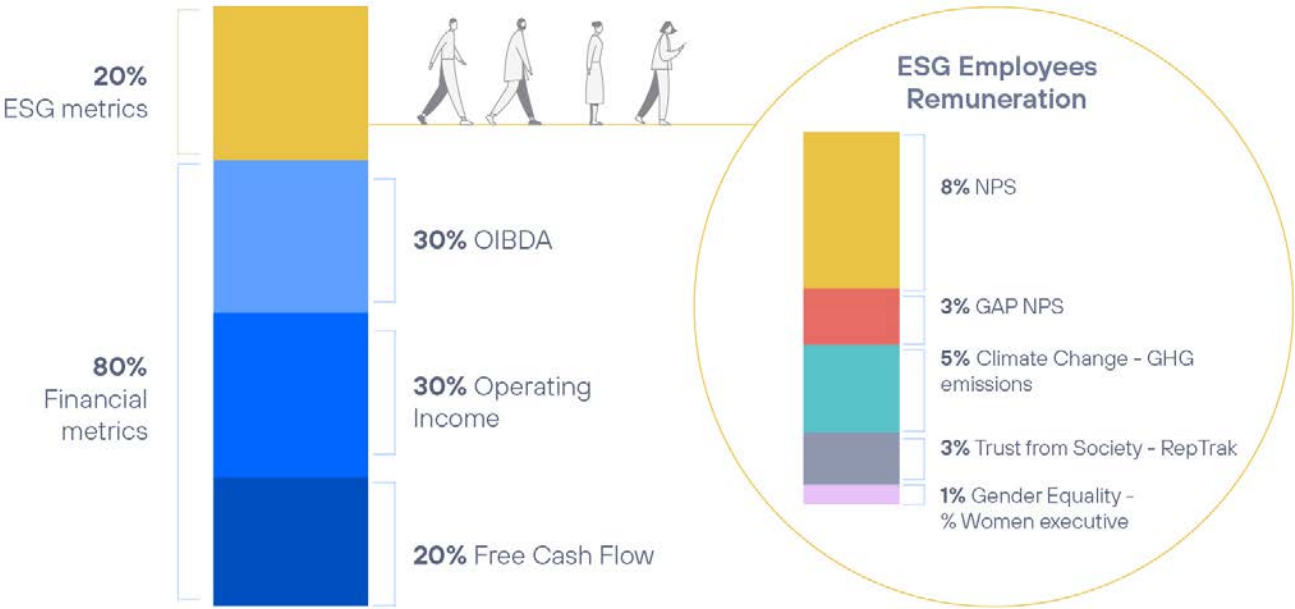
[Go to chapter 2.4. Digitalisation and Eco Smart services](#)

- **Control processes and indicators:** we have a robust non-financial indicator control processes to align the organisation.
- **Remuneration scheme:** employee performance appraisals must include sustainability. Therefore, as mentioned above, we have incorporated sustainability objectives into the variable remuneration scheme offered to our employees.

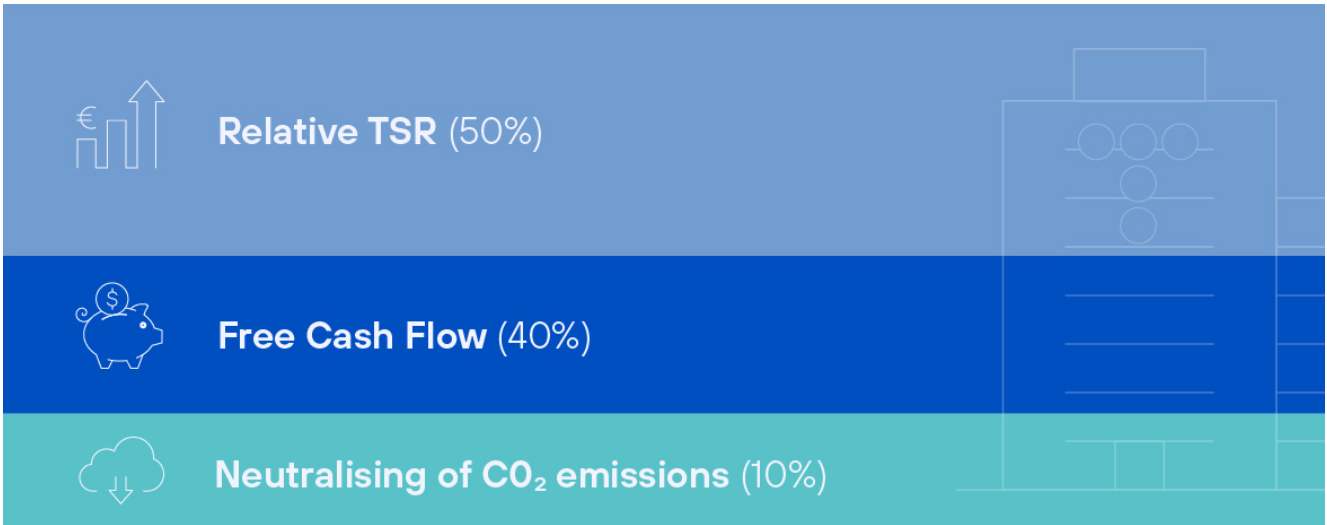


[Go to chapter 5.1. Annual Report on Remuneration](#)

Annual variable remuneration



Long term incentive (2021-2026)



2.12. Ethics and compliance

GRI 102-16

KEY POINTS

- ✓ We foster a culture of ethics and compliance driven by our Board of Directors and top management. Our employees are trained in our Responsible Business Principles via a mandatory course.
- ✓ We have a zero tolerance of corruption and bribery.
- ✓ Our "Concern and Whistleblowing Channel" ensures that our stakeholders have the opportunity to transmit their concerns, complaints and claims in an anonymous or personal manner.

2.12.1. Vision

Ethical and responsible conduct is key to gaining the trust of our stakeholders, thereby ensuring the sustainability of our business. For this reason, the Responsible Business Principles, our code of ethics, are a **core pillar of Telefónica's strategy and culture** which must be complied with by all employees, including, in particular, senior management.

Any breach of these Principles by employees will be considered an infraction in labour terms, punishable in accordance with the specific provisions of applicable law.

Main ethical issues regarding our stakeholders

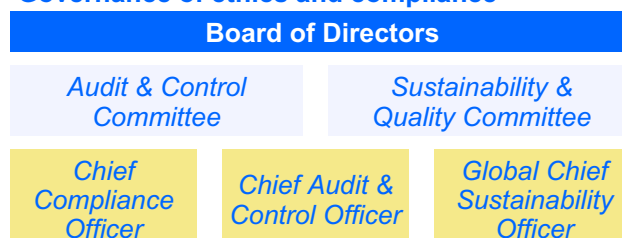
Customers	Simplicity, transparency and integrity in our products and services. Responsible communication. Data transparency.
Employees	Course on Responsible Business Principles and Human Rights. Clear guidelines for ethical and non-discriminatory behaviour. Promoting diversity and talent management.
Suppliers	Requirement for our suppliers to comply with ethical standards and respect human rights in our supply chain. Identification and prevention of conflicts of interest.
Investors	Transparency, integrity and materiality with regard to reports and information. Proactive commitment to ethical issues.
Company	Protection and promotion of human rights. Zero tolerance of corruption. Political neutrality. Responsible fiscal behaviour and fiscal transparency. Ethical commitment through the Concern and Whistleblowing Channel.

2.12.2. Governance

To meet our stakeholders' expectations (see table above), we need a culture of ethics and compliance originating at the Company's top management, with clear lines of responsibility and a firm commitment to best business and ethical practices. The Board of Directors therefore approves the Responsible Business Principles, the Responsible Business Plan and associated policies.

There are also several Board committees, which **specifically monitor ethics and compliance issues** through heads of the Sustainability, Compliance and Internal Audit areas.

Governance of ethics and compliance



2.12.3. Policies

Our main internal performance standards and policies on the culture of ethics and compliance are as follows:

- Responsible Business Principles
- Anti-Corruption Policy
- Compliance Policy

- Local crime prevention policies and regulations
- Internal Rules of Conduct
- Telecommunications Fraud Prevention and Management Regulations
- Regulations on Relations with Public Bodies
- Complaints Channel Management Policy
- Corporate Policy on the Comprehensive Discipline Programme
- Conflict of Interest Regulations
- Regulations on Anti-Corruption Certifications for Management
- Regulations on Procurement Related to Public Bodies

2.12.4. Risks and opportunities

Implementing a solid culture of ethics and compliance is essential to ensure the Company's future and sustainability. It also contributes to guaranteeing the trust of our customers, shareholders, employees, suppliers and society in general.

The nature of our business and our presence in many jurisdictions, which involves **necessary compliance with various national and extraterritorial regulations**, as well as the progressive demand for specific compliance programmes, represent a challenge to implementing this culture and we must constantly adapt our compliance activity to the prevailing needs of each company or business unit.

There is also the challenge and need to continue fostering and consolidating this culture internally, so that our employees can adopt ethical and responsible decisions in the face of the dilemmas and conflicts they face during their daily activities.

2.12.5. Strategy and commitments

GRI 103, 102-16

To ensure ethical behaviour throughout our Company, we have several lines of action: **zero tolerance of corruption and bribery**, compliance with the law and regulations, employee training, internal mechanisms (for reporting potential non-compliance), fair competition, prevention of money laundering, political neutrality, responsible communication and monitoring through internal control.

Targets

→ Update the courses on Criminal Responsibility and Competition Law, available for Telefónica S.A., our corporate Spanish entities and their subsidiaries.

→ Update the Responsible Business Principles course and have 100% of employees trained in this subject every three years.

2.12.5.1. Compliance

GRI 205-2

The Global Compliance area, more specifically, the Chief Compliance Officer of the Telefónica Group, reports directly to the Board of Directors through the Audit and Control Committee. The starting point for compliance management is risk assessment and the protection of integrity.

The Compliance Charter is approved by the Board of Directors and defines the main lines of the Telefónica Group's Compliance Programme, its interaction with the Company's business processes and other areas, and the matters identified as particularly relevant in compliance, which comprise:

Compliance Programme subjects*

 Integrity and sanctions	 Privacy and personal data protection	 Relations with competitors	 Security
	 Labour	 Sustainability, supply chain and human rights	 Compliance with sector-specific regulations and customer promise
	 Tax	 Compliance with specific financial regulations - Money Laundering and Tax Fraud	 Regulated areas**

*This chapter features the following topics: a) anti-corruption (integrity), b) competition (relations with competitors) and c) money laundering.

**Regulated areas: this refers to compliance with legislation applicable to insurance and reinsurance companies and pension fund and investment fund management companies.

According to the current Compliance Function Charter, the compliance function is deployed on two levels:

- **Preventive control:** this activity is aimed at fostering a culture of compliance, and involves, on the one hand, delivering training and awareness-raising actions on matters such as anti-corruption, criminal prevention and sanctions, as well as supporting other training that may be developed on the other matters described in coordination with the internal areas responsible for them. Furthermore, one of the key elements on which preventive control is based is the **continuous assessment** of compliance risk.

Likewise, within this preventive function of Telefónica Group's Compliance Programme, it is worth highlighting the consultative activity conducted through channels available to employees to make queries related to compliance issues (mainly related to the application of the Anti-Corruption Policy and other related internal regulations). It is also worth highlighting our Compliance-based **protocols for assessing suppliers and business partners** which are put into practice in the context of the continuous and gradual improvement of our Compliance Programme. In this respect, of the assessment protocols applied to corporate transactions (mergers and acquisitions) are particularly noteworthy, especially regarding anti-corruption and, where appropriate, the risk of money laundering and terrorist financing.

Finally, it is worth mentioning other activities within this preventive control function, such as internal regulatory monitoring, the preventive control model, management of conflicts of interest and criminal prevention.

- **Reaction and response:** reaction refers to the action protocols to be followed in situations in which there is sufficient evidence of non-compliance, while response refers to the correction of the consequences of a possible non-compliance by acting on two fronts: (i) **mitigating all the consequences** associated with a possible breach or a breach already evidenced, and (ii) **ensuring consistent application** of consequences for said breaches, as well as promoting the recognition of

employees with outstanding conduct in terms of their commitment to compliance.

> Anti-corruption compliance

The Compliance area oversees and bases a large part of its policies, procedures and controls on **integrity**, a concept that specifically captures, among other initiatives, those that implement our fight against corruption and bribery.

With regard to the policies and procedures in place in the Telefónica Group to combat corruption and bribery, it is worth highlighting, as a basis for the activities described above, the specific internal regulations in this area. The most significant include the Anti-Corruption Policy, together with Regulations on Relations with Public Bodies, Regulations on Conflicts of Interest and the Corporate Policy on the Integral Discipline Programme, among others.

Corruption risk analysis is another of Telefónica's Compliance Programme's focus areas.

As the parties responsible for establishing adequate controls and procedures to ensure compliance with the Anti-Corruption Policy, the Company's directors and executives certify, on an annual basis, their knowledge of and commitment to comply with said Policy and, in general, with the Responsible Business Principles and associated policies, practices and regulations.

> Competition compliance

Fair competition is one of our Responsible Business Principles, and is integrated transversally in several policies and processes within the Company.

We have online training on Competition Law which was launched in 2019, and which consists of the prevention of anti-competitive practices. Designed for all areas of the Company, this course is given in the main countries where we are present, except in Germany and the United Kingdom, where they have specific or related training courses.

In addition, the Group has certain guidelines for participation in industry organisations and meetings with competitors where clear rules are laid down to **ensure compliance with competition law regarding the exchange and assurance of confidentiality of information**. This is complemented in some countries by specific competition compliance programmes under local legislation (e.g., Chile).



[Go to chapter Annual Accounts Report](#)

> Money laundering compliance

With regards to money laundering, the Company has **payment controls** in place that include due diligence procedures for suppliers and business partners, defined from a compliance viewpoint, and controls on payments to certain high-risk countries. This is then complemented by activities specifically aimed at complying with requirements in the legislation of each country and/or, where applicable, with certain regulations in this area applicable to the type of company or entity in question (in cases in which said local legislation considers it a regulated entity in said area).

In this regard, in accordance with the Telefónica Group's internal regulations on payment control, the Company monitors the definition of minimum controls on payments to prevent the risk of **money laundering**. This includes both general controls at Group level and specific controls by jurisdiction and/or type of entity or activity.

In particular, in 2021, as part of its strategy of continuous improvement, Telefónica continued to analyse the need to strengthen the corresponding controls and launched a number of new controls with a view to their definitive implementation at Telefónica Group level.

2.12.5.2. Training

GRI 205-2, 412-2

A key element in promoting a culture of ethics within the Company, and ensuring compliance with our Responsible Business Principles, is training.

- **Responsible Business Principles and Human Rights course:** Training in the Responsible Business Principles and Human Rights is aimed at all Telefónica Group employees and is mandatory. It is specifically monitored by the Responsible Business Office. The training includes matters on anti-corruption and bribery in the specific section of the course entitled 'Ethical and Responsible Management'.

Along with the course described above, there are also other courses that complete the training on anti-corruption at Telefónica Group:

- **Foreign Corrupt Practices Act (FCPA) course** held worldwide in online and in-person format, on the law against corrupt practices abroad. This training is aimed at certain areas of the Company that present a higher potential risk due to their greater exposure to officials and authorities. Since 2017, the year it was launched, this course has been progressively implemented in the Telefónica Group on a global scale. So far, in addition to Telefónica S.A. and other global units, it has been taught as part of operations and businesses in Spain, Brazil, Mexico and Telxius (2017); Uruguay, Argentina, Nicaragua, Panama, Costa Rica, El Salvador, Guatemala, Colombia, Peru, Chile and Ecuador (2018); Venezuela and the United Kingdom (2019).
- Other **local courses** on anti-corruption and crime prevention. In addition to the global anti-corruption training mentioned above, other specific training courses (including aspects relating to criminal prevention) are given in most of the countries in which the Telefónica Group operates. In some cases, this training is in-person and/or targeted at certain groups of employees whose activity may present a higher potential risk. Here, we highlight the training in criminal liability in Peru, Argentina, Chile, Ecuador and Spain.

Training is also reinforced by **internal communication, awareness and sensitisation campaigns**, addressing different issues such as conflicts of interest, gifts and invitations, responsible purchasing, environment, privacy, customer promise, etc.

There are also a number of global initiatives aimed at raising employee awareness, including the following:

- a. **Compliance Day**, an awareness day designed to bring the compliance function closer to the business and raise awareness among employees about the main issues addressed in the area.
- b. The **first compliance micro-story competition**, involving employees from Telefónica S.A., Telefónica España, Telefónica Argentina, Telefónica Chile, Telefónica Colombia, Telefónica del Perú, Telefónica Tech, Telefónica Uruguay and Telefónica Ecuador.
- c. The **'Five Stars' Recognition Programme**, an awareness-raising initiative developed to promote and recognise behaviour that stands out for its commitment to Integrity, Privacy and Security.

2.12.5.3. Complaint and remedy mechanisms: Channel for queries and complaints

GRI 103, 102-17, 205-3, 403-2, 406-1

> Complaints

At Telefónica, we have a **Whistleblowing Channel available to employees and stakeholders** (suppliers, shareholders, customers, investors and society in general), where they can make anonymous or personal complaints to report any alleged irregularity or act contrary to the law or internal regulations.

This channel has been available since the end of 2020 via a form on our website. It provides access for all our stakeholders, ensuring compliance with the **European Directive on the protection of persons reporting breaches of EU law** and also with the updated version of the Good Governance Code for listed companies.

When processing complaints, the **principles of data confidentiality**, i.e. respect, substantiation and completeness, apply. In cases where a significant or relevant irregularity is identified, the Audit and Control Committee, which reports to the Board of Directors, is informed.

The complaint may fall into the following categories:

- Labour dispute
- Labour conditions
- Information security/privacy
- Acts contrary to the integrity of the company
- Asset fraud
- Favourable treatment
- Financial reporting
- Regulatory/contractual/legal non-compliance

The above categories also include any irregularities relating to accounting matters, auditing matters and/or internal control over financial reporting in compliance with section 301 of the US Sarbanes-Oxley Act and other requirements in this regard.

After sending the complaint, the system will provide a username and password that will allow the status of the complaint to be consulted at any time, using the **anonymous communication channel**. New information can then be added and the auditor responsible for the analysis can be contacted.

In accordance with our zero tolerance policy on corruption, bribery and discrimination, Telefónica has **specific controls in place to detect and remedy possible cases**. This takes the form of disciplinary action and/or termination of contract.

> Queries

We also have a Queries Channel through which all our stakeholders can make anonymous or personal queries, communications or reports, requests or complaints on any aspect related to the Responsible Business Principles.

2.12.5.4. Political neutrality

Telefónica is politically neutral. **Under no circumstances do we take a direct or indirect position for or against** any political party and, therefore, we do not make donations to any of them. This does not prevent us from making our views known on matters that may affect the management and sustainability of the Company.

We are registered as a lobbyist in the voluntary transparency register of the European Union and in the register of interest groups of the CNMC (Spain's National Commission on Markets and Competition).

Our total expenses in relation to contributions to sectoral organisations are widely distributed because: (a) Telefónica is present in many countries and each country has its own local sectoral organisations; and (b) Telefónica provides many types of services affected by different business sectors (fixed and mobile connections, television and digital services).

2.12.5.5. Responsible communication

Following our Responsible Business Principles and as a technology, information and communication company, we promote freedom of expression, pluralism and diversity and we assume a commitment to truthful information, education and inclusion.

As a company that provides not only communication, but also entertainment, cultural, sporting, advertising and other content that can have an impact and influence on society, we assume our responsibility to promote responsible, ethical and quality communication through our **Responsible Communication Policy**. This policy sets out general guidelines for when we communicate with our customers; when we communicate with other stakeholders; when we use our social media; when we generate and disseminate content; when we generate our own advertising; and when we broadcast third-party advertising.







We also have a **specific Responsible Communication Code for Movistar+**, approved by the Executive Committee of Telefónica España with the following lines of action:

- Publication in different public media for consultation by any user.
- Implementation. It has been shared with all Movistar+ stakeholders to ensure that it is accepted and respected on a daily basis by employees, suppliers and external collaborators, analysts, customers and society in general.

Possible complaints/enquiries are channelled through the Responsible Business Enquiry Channel.

Movistar+ Responsible Communications Code

We are a television platform with ethical editorial criteria for all our productions, whether own, purchased or outsourced. We promote these principles:

↓	↓	↓
Legality  We comply with the rules; we protect intellectual property and we do not encourage illegal, irresponsible or discriminatory behaviour.	Neutrality  We promote freedom of expression and creativity, while respecting the right to honour and privacy.	Protection of minors  We manage content responsibly and have preventive, safe advertising and awareness-raising measures.
↓	↓	↓
Integrity and transparency  We ensure compliance with Telefónica's Anti-Corruption Policy.	Diversity  We promote equality and social integration in our programme schedule.	Values and talent  Our business commitment to creativity and innovation is reflected in the content.

We have pre-broadcast controls, a Content or Production Officer and anti-piracy mechanisms in place. All our activities are based on Telefónica's Responsible Business Principles and our Responsible Communications Regulation.

2.12.5.6. Internal control

GRI 102-17, 205-1

The Company's internal control is based on its internal audits and risk management systems. It is regulated in the Telefónica Group's Internal Audit Charter, which states that Internal Audit is the area in Telefónica responsible for confirming, through timely evidence, the proper functioning of the internal control and risk management structures and, where appropriate, detecting possible inefficiencies or non-compliance with the control system established by the Group through its processes.

The main areas of action covered by the Internal Audit Unit include **coordinating the** Telefónica Group's **Regulatory Framework** by supervising the process for defining internal regulations. In turn, the Regulatory Framework promotes **actions that favour the updating and communication of said standards**. We also detect the needs and opportunities for improvement, modification or updating of existing internal regulations, proposing lines of action to those responsible. And we provide support and advice to the internal standards manager in relation to the drafting and implementation of the standard.

In 2021, we updated our Responsible Business Principles to ensure that our Code of Ethics continues to respond with the utmost rigour to the **new demands of the market and society**.

> Compliance

In 2021, Telefónica S.A. obtained the UNE 19601 Certification for Criminal Compliance management systems.

In 2021, one (1) material legal proceedings have been identified in progress for violation of competition law and no (0) fines have been paid for ongoing anti-competitive practices⁽²³⁾ in violation of said law.

The details of VMED O2 UK's material legal proceedings and penalties from June to December 2021 are as follows:

2.12.6. Progress in 2021

GRI 205-2

	O2 UK (mobile operations)	Virgin Media UK (fixed operation)
No. of material legal proceedings in progress in relation to anti-competitive violations	0	0
Material penalties paid for anti-competitive practices	0	0

> Training

During 2021, we continued our campaigns for employee training in the Code of Ethics (our Principles) and anti-corruption. All the courses returned high completion rates:

- **Course on Responsible Business Principles and Human Rights.** Completed by 88,815 employees since its launch in 2018, representing 85% of the workforce. A total of 168,914 hours of this course have been taught since it was launched⁽²⁴⁾. During the reporting period, training was given to 16,382 employees, which accounts for 15% of the average workforce during the period⁽²⁵⁾. We had a total of 24,945 training hours in 2021.
- **Other courses on anti-corruption.** During 2021, on-line training continued in this area of the Foreign Corrupt Practices Act (FCPA) and reinforcement sessions were given to management and pre-management staff at Telefónica, S.A., Telefónica

España and Telefónica Tech. As for other local training courses, operators in Spain and Mexico launched new ones on crime prevention.

Since 2017, 89,296 employees have received training in anti-corruption, representing 86% of the workforce at 31 December 2021. During 2021, training was given to 36,827 employees, which accounts for 34% of the average workforce during the period⁽²³⁾.

All members of the Board of Directors (15) have received training in anti-corruption, with the latest addition to the Board (100%) completing the training in 2021.

²³ Taking into account issues whose materiality complies with the reporting rules for CCAA (greater than €40 billion and rated as probable, or €100 billion with the risk rated as possible).

²⁴ Since its launch in 2018. Data takes into account the number of employees at 31 December 2021 (update of the calculation methodology compared to 2020 to improve data quality).

²⁵ Data takes into account the average workforce during 2021 (update of the calculation methodology compared to 2020 to improve data quality).

Training in Responsible Business and Human Rights through the Principles course*

Number of employees trained in Responsible Business and Human Rights through the Principles course	88,815
Percentage of employees trained in Responsible Business and Human Rights through the Principles course	85%
Hours of training in Responsible Business and Human Rights through the Principles course	168,914

Anti-corruption training for employees

Number of employees trained in anti-corruption matters	89,296
Percentage of employees trained in anti-corruption matters	86 %

N.B.

⁽¹⁾ Since its launch in 2018. Data takes into account the number of active employees at 31 December 2021 (update of the calculation methodology compared to 2020 to improve data quality).

⁽²⁾ Includes the Course on Responsible Business Principles (since 2018), Foreign Corrupt Practices Act (since 2017) and local courses on anti-corruption (since 2019). Data takes into account the number of employees at 31 December 2021.

Specific training has also been given in subjects other than integrity, which, for the purposes of the Telefónica Group's Compliance Programme, are relevant from the Compliance perspective; examples include **training in digital security, competition law and privacy**. Mention must also be made of the launch of training in international sanctions programmes for certain areas and relevant Company management personnel.



MILESTONES

- We updated the Responsible Business Principles.
- We obtained the UNE 19601 certification for Telefónica, S.A. as part of activities to improve the Company's criminal compliance management systems.
- We unified the Responsible Business and Whistleblowing Channels into a single channel: the Concern and Whistleblowing Channel.

Employees trained in anti-corruption in 2021 by professional category and region

Country	Executives	Middle Management	Other professionals	Total
Germany	84	226	2,479	2,789
Brazil	687	837	19,684	21,208
Spain	76	54	1,875	2,005
Latin America	305	867	8,578	9,750
United Kingdom	11	150	893	1,054
Others	0	6	15	21
Total	1,163	2,140	33,524	36,827

% of employees trained in anti-corruption in 2021 by professional category and region

Country	Executives	Middle Management	Other professionals	Total
Germany	37 %	32 %	37 %	37 %
Brazil	43 %	40 %	64 %	61 %
Spain	5 %	3 %	7 %	7 %
Latin America	39 %	26 %	30 %	29 %
United Kingdom	4 %	15 %	20 %	18 %
Others	0 %	13 %	3 %	3 %
Total	27 %	25 %	35 %	34 %

> Concern and Whistleblowing Channel

In addition, as part of our performance in 2021, we combined our former Responsible Business and Whistleblowing channels into a **single channel: the Concern and Whistleblowing Channel**. The aim is to make it a more accessible communication channel for employees and stakeholders.

> Complaints

A total of 955 complaints were received through the Whistleblowing Channel in 2021. As a result of the investigations, 389 complaints were substantiated during the year. The measures taken as a result of substantiated complaints included 152 terminations of employment contracts.

Complaints

	2020	2021
Nature of substantiated complaints	% of total substantiated complaints	% of total substantiated complaints
Failure to comply with regulations	14%	12%
Fraud	23%	23%
Workplace/sexual harassment and/or discrimination	5%	1%
Conflict of interest	5%	4%
Information security/privacy	2%	2%
Inappropriate behaviour and other workplace disputes	37%	38%
Others	14%	20%
Total	385	389

Main indicators on complaints

	2020	2021
Complaints received	882	955
Substantiated complaints	385	389
Termination of employment measures taken as a result of substantiated complaints	126	152
Confirmed cases of corruption	1	0
Disciplinary measures taken or terminations of contract carried out in connection with confirmed cases of corruption	3	0
Cases of discrimination detected	3	0
Disciplinary measures or terminations of contract taken in relation to confirmed discrimination cases	2	0

VMED O2 UK from June to December 2021

	O2 UK (mobile operation)	Virgin Media UK (fixed operation)
Confirmed cases of corruption	0	0

> Queries

In 2021, we received 207 queries, 196 of which were resolved as queries related to matters corresponding to this channel. The matters into which the queries have been divided are shown in the table below:

Queries

	2020	2021
Responsible Communication	1	5
Integrity	1	5
Environment	26	11
Supply chain	13	1
Privacy	15	9
Accessibility	7	3
Sustainable Innovation	2	2
Human Rights	3	2
Other Human Rights	0	0
Children's Rights	3	1
Freedom of expression	0	2
Diversity and talent management	0	2
Others (e.g. Responsibility towards the customer, infrastructures*)	155	153

*The 'Others' category currently includes queries related to 'Responsibility towards the customer' and 'Infrastructures', which we redirect internally for resolution by the appropriate channels.

> Political neutrality

Our expenditure on contributions to industry bodies and organisations, or individuals carrying out representative activities for Telefónica, amounted to €5.4 million in 2021, 87% of which was spent on industry bodies, including GSMA, SindiTelebrasil, ETNO and Bitkom, among others.

> Internal control

Internal Audit has an annual audit schedule and issued 451 reports globally in 2021, divided into the following categories:

No. of reports

	2020	2021
Total or partial analysis of processes related to the expenditure and investment cycle	82	69
Financial or information system audits mainly to review internal control over financial processes	129	133
Reports aiming to verify correct compliance with other legal obligations	47	61
Other work	5	6
Fraud/corruption prevention, review of personal actions	27	17
Review of the revenue cycle	126	79
Monitoring of the main technological and legal compliance risks affecting service networks and information systems	87	86

2.13. Fiscal transparency

GRI 207-1, 207-2, 207-3, 207-4

KEY POINTS



Telefónica's tax contribution in 2021 amounted to €9,134 million globally: €23.3 per every €100 of turnover.



Taxes paid during the year amounted to €3,206 million and taxes collected amounted to €5,927 million.



Each year we publish the fiscal contribution per country: we highlight the €3,480 million contributed in Spain and the €2,175 million paid in Brazil.

2.13.1. Vision

Telefónica's taxation is based on our Responsible Business Principles, the guidelines that lead us in our daily activity and define how we conduct our business. In accordance with said guidelines, we are committed to honesty, respect for the law and transparency in the conduct of our fiscal affairs.

At Telefónica, we are committed to the OECD guidelines for multinational companies to ensure strict compliance with our **tax obligations**. We strive to be a best practice benchmark, ensuring that we contribute faithfully and loyally to the public finances of the countries and territories in which we operate. Accordingly, in line with our commitment to fiscal transparency and our contribution to the UN Sustainable Development Goals (SDGs), we publish our total economic and social tax contribution on our corporate website in Sustainability-Innovation/How-we-work/Sustainability-Strategy.

In this sense, the statements contained in this GRI 207 standard enable Telefónica to achieve some of the SDG targets it has set itself.

where appropriate, the Board of Directors of Telefónica about the tax policies and criteria followed by the Company, as well as the tax impacts of all relevant transactions submitted for approval in accordance with Section 529 Ter of the Spanish Corporations Act.

They also report on the status and development of tax risks to the Group's Risk function managers (Internal Audit) and, ultimately, to the Audit and Control Committee.

They detect and report on mechanisms subject to notification under Council Directive (EU) 2018/822 of 25 May 2018 (DAC 6) and coordinate with the Group's internal audit function on the **review and analysis procedures** necessary to achieve the control objectives of the Fiscal Strategy and Fiscal Control Framework.

Those **responsible for the fiscal function** in each subsidiary put in place the necessary management procedures to ensure that the fiscal control function is performed in accordance with the defined principles and operating regulations.

2.13.2. Governance

The **bodies responsible for the fiscal control framework at Telefónica** are as follows:

The **Group's Tax Department** reviews the tax strategy and reports annually to the Audit and Compliance Committee and, where appropriate, the Board of Directors on the Group's tax policies in order to facilitate supervision of the tax risk management system given to the Audit and Compliance Committee by the Spanish Corporations Act and in accordance with the provisions of the Code of Best Tax Practices.

The **Group Tax Department and the Regional Divisions** inform the Audit and Control Committee and,

> Assessment of compliance with the fiscal governance and control framework

The Internal Audit Department, the Group's Tax Department and the Regional Tax Departments perform the analyses and verifications they deem appropriate to verify the correct application of the aspects contained in the regulations, tax strategy and tax control policy, and to guarantee control targets set by the Group.

The Internal Audit Department carries out such checks on a regular basis and may request as much information as necessary from the various subsidiaries' tax managers.

In addition, as indicated in the Annual Corporate Governance Report, Telefónica annually validates compliance with the content and commitments contained

in the Code of Good Practices and, therefore, that it is complying with its governance framework.

> Integration of the focus on taxes in the Telefónica Group

Telefónica will ensure that the departments involved in the tax function have the necessary means to guarantee compliance with tax obligations in all the countries in which it operates.

Those responsible for the tax function at each company participate in the analysis of all transactions that may have tax implications and for the aforesaid purpose:

- have the necessary financial, human and material resources;
- can and should, where necessary, establish permanent computer links with the information systems of Group companies;
- receive maximum support and assistance from the Group companies, and;
- may require the participation and collaboration of such companies' employees.

For more information in this regard, Telefónica develops the fundamental principles of the fiscal control function within the Fiscal Control Policy (available on the corporate website in Sustainability-Innovation / How-we-work / Sustainability-Strategy).

2.13.3. Policies

The **Fiscal Control Policy** has the following objectives:

- correct fulfilment of tax obligations in due time and form;
- effectiveness and efficiency of operations from a tax viewpoint;
- position-taking or tax strategy duly supported and documented;
- reliability of tax information;
- transparency vis-à-vis third parties, especially the tax authorities, and;
- tax risk management.

2.13.4. Risks and opportunities

As mentioned on the corporate website, in Commitment/ How we work, we manage tax risks to prevent and reduce tax litigation to the extent necessary to defend tax positions legitimately taken by Telefónica.

Accordingly, we have a **Risk Management Model** in place based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), which enables the identification, assessment and management of the different risks.

Under this Model, we have defined **four risk categories: business; operational; financial and legal**, and finally; **compliance**. Accordingly, **the latter category includes tax risks**.

Typology of fiscal risks and associated controls

In relation to their origin, risks of a fiscal nature are classified as follows:

- **Compliance risk:** relating to the fulfilment of obligations in taxation (filing of returns, information requirements, etc.);
- **Interpretative risk:** the possibility of interpreting tax laws differently from the Administration;
- **Regulatory risk:** associated with legislative activity and regulatory volatility and complexity;
- **Reputational risk:** related to the current context of demands and public scrutiny in terms of transparency and perception of fair compliance with the companies' tax obligations by the different stakeholders.

Although risk identification is a continuous process and requires the involvement of the entire organisation, in the case of tax risks the Corporate Tax Department promotes and coordinates their identification and regular updating.

The policy of control, evaluation and management of fiscal risks is developed in the Fiscal Control Policy available on the corporate website, section Sustainability-Innovation/How-we-work/Sustainability-Strategy.

> Reporting obligations

On a quarterly basis, those responsible for the tax control function at each of the Group's companies inform the Tax Department—through the Regional Tax Departments—of the main conclusions of the process of identifying and assessing tax risks, including those related to:

- Litigation in court/arbitration;
- Litigation in administrative proceedings prior to judicial proceedings;
- Transactions with implicit risk that may be examined by the tax authorities.

They also report on external tax audits and tax administration inspection processes.

For its part, the Tax Department reports the situation and evolution of tax risks to the heads of the Group's Risk Management function (Internal Audit) (without prejudice to the specific identification of compliance risks to the heads of the Compliance function) and, ultimately, to the Audit and Control Committee.

Furthermore, as a consequence of the entry into force of DAC 6, we have developed a procedure for detecting and reporting notifiable mechanisms.

2.13.5. Strategy and commitments

Pursuant to Section 529 Ter of the Spanish Corporations Act, on 14 December 2016 the Board of Directors of Telefónica approved the Group's tax strategy as published on our corporate website.

> Regulatory compliance

At Telefónica, we are committed to complying with all national and international legislation, regulations and tax obligations, respecting both their letter and their spirit. In fact, we devote the necessary resources and take the appropriate measures to make a reasonable interpretation of the rules, taking into account the legislator's intention in accordance with the interpretative criteria established by the competent tax authorities and the legislative background. We also adopt the necessary control mechanisms to ensure compliance with these regulations as part of good business management.

Relationship between taxation, sustainable development and business

At Telefónica, we are committed to all tax positions being taken up for commercial and business reasons, paying taxes according to their true legal nature and economic substance and avoiding abusive tax planning schemes or practices. In this respect, the tax component of any transaction cannot be justified separate from the commercial and business reasons for the transaction in question.

Telefónica also applies the arm's length principle in its transactions with related entities, aligning taxation in each

country and territory according to its business there and the generation of value, in accordance with local tax legislation and the international taxation standards established by the OECD.

> Stakeholder engagement and management of tax concerns

Relationship with tax authorities

At Telefónica, we are committed to fostering a cooperative relationship with the tax authorities inspired by the principles of collaboration, trust, good faith, loyalty, professionalism, mutual respect and dialogue.

Since 2010 and in order to apply the highest standards of tax transparency, Telefónica, S.A. has adhered—by resolution of the Board of Directors—to the Code of Good Tax Practices drawn up by Foro de Grandes Empresas (Forum for Large Enterprises) in conjunction with the Spanish Tax Administration.

And, based on the principles of transparency and mutual trust, we have voluntarily filed Transparency Reports with the Spanish tax authorities since the 2016 financial year, with the prior authorisation of the Audit and Control Committee, as part of the functions delegated by the Board of Directors. The corporate website provides more information on the subject in the section Sustainability-innovation / How-we-work / Sustainability-Strategy.

Our approach to matters relating to the Spanish Tax Administration also applies internationally. In this regard, Telefónica participates in various international fora to promote and develop the OECD's good practice recommendations.

We also participate in the cooperative compliance programme in the UK.

Contribution to legislative initiatives in the tax area

Telefónica actively participates in the Foro de Grandes Empresas. This allows us to intervene in tax legislation initiatives, highlight current problems that may arise in the application of the tax system, and propose new tax measures to increase legal certainty.

We contribute to the committees of telecommunications industry organisations such as ETNO (European Telecommunications Network Operators' Association) and GSMA.

We are active collaborators in various industries and economic forums, such as DigitalES (Spanish Association for Digitalisation) and Adigital (Spanish Association of the Digital Economy).

The Telefónica Group is also actively involved in tax policy through the respective committees of the CEOE (Spanish Confederation of Business Organisations) and the DET3 (Digital Economy Taxation Think Tank).

Stakeholder dialogue

Telefónica's stakeholder engagement strategy is based on **increasing transparency and effective dialogue to build relationships of trust** in the countries in which we operate.

We maintain a constructive dialogue and collaborate with various key interest groups, such as non-governmental organizations, like Intermon Oxfam, the Commitment and Transparency Foundation or the Tax and Competitiveness Foundation; government agencies through the Forum of Large Companies that was created in 2009 as a cooperation body between the largest Spanish companies and the Tax Agency. Likewise, we collect from all the stakeholders their expectations and perceptions about fiscal transparency in the consultation that we carry out for our materiality analysis.



[Go to chapter 1.4. Materiality](#)

This relationship makes it possible to identify which aspects are considered most significant and which are the new trends in the field of sustainability. In this way, we set our targets, define the strategic plan and, in addition, assess our ability to meet society's expectations.

In fact, as a result of our progress, we have achieved very high scores for our tax transparency in indices such as the DJSI, MSCI, Sustainalytics and FTSE.

Reporting unethical behaviour

As described in section 2.8.5 of the Non-Financial Information Statement, Telefónica has public complaint and remedy mechanisms in place (i.e. the Responsible Business Channel and the Whistleblowing Channel) to report concerns about unethical or illegal behaviour, and the organisation's integrity in relation to taxation. For further information, please refer to said document.

2.13.6. Progress in 2021

GRI 103

> Contribution to the development of local economies and finances

In 2021, our Total Tax Contribution (TTC) amounted to €9,134 million (€3,206 million in taxes incurred and €5,927 million in taxes collected), accounting for 33% of our distributed value ((value distributed as input and output taxes levied on the total value distributed, the latter being the sum of the following items: shareholder value - profit after tax, wages and salaries net of taxes levied, net interest and input and output taxes levied).

Total operating subsidies received by Telefónica in 2021 amounted to €16 million (17 million euros in 2020), which includes the receipt of capital grants and subsidies as other income.

For every €100 of turnover, we pay €23 in taxes (€8 incurred and €15 collected).

It is important to note that our economic and social contribution is quantifiable not only through corporate tax revenues, but also through other specific contributions in the various countries in which we operate. These include fees (for use of the public domain and for financing the radio and television corporation, among others), local taxes and social security payments, as well as other similar contributions in other countries.

In addition to these direct taxes, we generate revenue for the public treasury as a result of our activity and on behalf of other taxpayers, other amounts that must be taken into account in the total tax contribution made by the Company, such as indirect taxes, withholding taxes on employees and other deductions



[Go to chapter 2.10. Contribution and impact on communities](#)

> Contribution in countries

The following is a breakdown of the jurisdictions in which Telefónica Group carries on its main business as a telecommunications services provider. Other jurisdictions where the Group is present, and in which its activities are not the Group's core business, are included under "Other". All amounts are given in euros and refer to the financial year 2020.

The main companies that make up Telefónica Group, together with their main activity, can be consulted in the 2021 Consolidated Financial Statements.



[Go to Appendix I: Scope of consolidation](#)

For reconciliation purposes with the figures reported in the Consolidated Financial Statements, consolidation adjustments and eliminations of inter-company transactions between Group companies in different countries are also included under "Other".

However, there are differences with the Group's Consolidated Financial Statements, which are explained below:

- The Annual Accounts only include information on sales to third parties, whereas the CbCR also includes intra-group sales.
- In relation to profit or loss before tax, there is an adjustment for the accrual of coupons corresponding to the subordinated perpetual debentures in the Netherlands, and to a lesser extent in Colombia.

- The differences in taxes paid are due to the Annual Accounts including not only corporate tax (as in the case of the CbCR), but also telecommunication

charges, local taxes, other charges, licence fees and social security, etc.

2020 country-by-country report

Tax jurisdiction	Third-party income	Related-party revenues	Total income	Profit or loss before tax (1)	Tax on profit paid (2)	Profit tax (3)	No. of employees (4)	Tangible assets
Germany	8,183	68	8,250	318	52	-175	7,980	4,073
Argentina	1,911	73	1,983	-894	57	-80	13,878	1,097
Brazil	7,964	55	8,019	1,027	37	207	34,484	5,375
Chile	1,648	5	1,653	42	18	17	4,186	1,377
Colombia	1,313	19	1,332	38	49	8	6,329	1,025
Costa Rica	240	3	242	78	8	17	209	0
Ecuador	409	5	415	-22	39	4	1,029	223
El Salvador	122	4	126	-40	0	-10	187	85
Spain	14,644	2,384	17,028	828	75	237	28,412	9,171
Guatemala	5	5	10	1	0	1	11	12
Mexico	1,156	102	1,258	-707	42	-1	1,852	297
Panama	5	7	12	-5	0	2	49	8
Peru	1,805	44	1,848	-180	14	-10	5,285	1,355
UK	6,819	281	7,100	1,438	183	263	6,509	2
Uruguay	235	142	377	94	14	11	626	304
Venezuela	227	1	228	7	1	8	1,754	40
Others	398	-1,094	-695	223	38	40	407	-675
Total	47,083	2,104	49,187	2,248	626	542	113,187	23,769

Note:

(1)(3) Contribution to consolidated result before tax and profit tax, adjusted for the allocation to the year of coupons relating to subordinated perpetual bonds. The consolidated financial statements of the Telefónica Group are drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The local accounting regulations applicable in each of the countries in which the Group is present may differ from the standards set by the IFRS.

The table above groups together all companies of the Group according to the country of their registered office. This grouping does not coincide with the distribution by segment of the Telefónica Group. The results by country include, as appropriate, the effect of the allocation of the purchase price to the acquired assets and the liabilities assumed. The results by country exclude income generated by dividends of Group subsidiaries, as well as the change in the provision for write-downs of investments in Group companies, which are eliminated in the consolidation process. The withholdings paid to the various administrations have been allocated to the jurisdiction by which they are ultimately paid.

(2) Excluding refunds received from different administrations and corresponding to overpayments in previous years, specifically in 2020, tax rebates in Spain for 2018 and 2019 amounting to 89 million, plus 15 million in Peru and a further 13 million in Chile have been excluded.

(4) The number of employees refers to the average number of employees, distributed by tax jurisdiction.

> Reasons for the difference between the effective rate and the statutory rate

The group closely monitors the differences between the nominal tax expense and the effective tax expense on a monthly basis.

At year-end 2020, the differences relate to the permanent differences inherent in the preparation of corporation tax. In other words, they comprise all the expenses or income recorded on the income statement that will not be deductible or will not be taxed from a fiscal point of view and will therefore never be reversed in subsequent periods. The most relevant are the deductibility of the amortisation of goodwill in Spain and, in Brazil, the deductibility of the distribution of Juros on capital. There is also a significant difference owing to the non-activation of tax credits in countries with negative results. In addition, during the 2020 financial year, extraordinary accounting adjustments were made to the corporate

income tax expense account, representing a significant part of the differences between the statutory and effective rates. In this regard, deferred tax assets have been recorded for deductible temporary differences on Telxius assets and, in Germany, for a significant amount of tax credits for tax losses from previous years.

The verification of the contents in terms of taxation has been completed as part of the external verification process that has been carried out by PricewaterhouseCoopers Auditores, S.L.

Tax contribution by country

Millions of euros	Contribution by country to consolidated Group result before tax (1) 2021	Contribution by country to consolidated Group profit before tax (1) 2020	Total taxes paid 2021	Total taxes collected 2021	Total 2021
Germany	663	314	237	695	932
Argentina	-64	-894	104	402	505
Brazil	882	1,027	302	1,873	2,175
Central America	25	35	21	17	37
Chile	372	42	155	130	106
Colombia	-20	38	92	125	217
Ecuador	-11	-22	69	36	286
Spain	5,261	826	1,470	2,010	3,480
Mexico	-386	-707	104	85	189
Peru	-554	-180	70	138	209
United Kingdom	5,200	1,437	519	373	892
Uruguay	104	94	26	19	45
Venezuela	90	7	4	11	15
Others	195	231	34	12	46
TOTAL	11,757	2,248	3,206	5,927	9,134

The breakdown of the corporate income tax contribution is as follows:

Tax contribution by region

Millions of euros	2021		2020	
	Contribution by country to the profit before taxes of the consolidated Group ⁽¹⁾	Tax on profits ⁽²⁾	Contribution by country to the profit before taxes of the consolidated Group ⁽¹⁾	Tax on profits ⁽²⁾
Europe	11,124	244	2,577	310
Latin America	413	229	(595)	257
Central America (*)	25	13	35	8
Others	195	20	231	38
TOTAL	11,757	506	2,248	626

Notes:

1) Contribution to the consolidated pre-tax result, adjusted for the allocation to the year of coupons relating to subordinated perpetual bonds. The consolidated financial statements of the Telefónica Group are drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The local accounting regulations applicable in each of the countries in which the Group is present may differ from the standards set by the IFRS.

The table above groups together all companies of the Group according to the country of their registered office. This grouping does not coincide with the distribution by segment of the Telefónica Group. The results by country include, as appropriate, the effect of the allocation of the purchase price to the acquired assets and the liabilities assumed. The results by country exclude income generated by dividends of Group subsidiaries, as well as the change in the provision for write-downs of investments in Group companies, which are eliminated in the consolidation process.

The contribution in 2021 from Germany, Spain and the United Kingdom is affected by the capital gains generated on the incorporation of VMED O2 UK and on the sale of the telecommunications towers division of Telxius (see Note 2 Notes to the Consolidated Financial Statements).




2) Rebates received from different administrations and corresponding to overpayments from previous years are excluded in 2021, specifically 30 million in Spain and 17 million in Peru and Chile.

For 2020, tax rebates in Spain for 2018 and 2019 amounting to 89 million, plus 15 million in Peru and a further 13 million in Chile have been excluded.

The withholdings paid to the various administrations have been allocated to the jurisdiction by which they are ultimately paid.

2.14. Clients

KEY POINTS

-  **We continued to launch measures and services that enable us to meet our customers' new needs resulting from COVID-19. This focus has led to our reputational scores increasing in all our markets.**
-  **In 2021, our NPS score grew to 27%, up 4 points compared to 2020, reaffirming our customer-centric strategy.**
-  **We implemented a new framework to evaluate customer satisfaction in Spain, which pursues excellence in our new products and services from the outset.**

2.14.1. Vision

GRI 102-42, 103

In 2020, our mission to **"make our world more human by connecting people's lives"** became more relevant than ever before. Telefónica was aware of its responsibility to help alleviate the effects of the health, social and economic crisis triggered by COVID-19. In 2021, we continued to promote all measures to meet needs arising out of changes in people's lifestyles, both in their working and personal lives, always placing customers at the heart of our decisions and thereby making them our main priority.

During 2021, we continued to make progress in the measures we rolled out in 2020 as regards ethical and sustainability criteria involved in designing and developing our products and services.

Materiality

Our challenge has always been to meet our customers' expectations and build a relationship based on trust. Therefore, ensuring **responsible behaviour towards customers** is vitally important for us and our stakeholders: the materiality analysis highlights this as **one of the most important aspects**.

Over the course of this chapter, we explain how we addressed this challenge from different perspectives, in particular from the perspective of our customers' experience, which we measure through quality and reputation indicators, and from the perspective of our products and services, into which we incorporated the Responsible Design approach.

2.14.2. Governance

Our customers' experience, the quality plans designed to improve it and customer satisfaction measurements are strategic issues for Telefónica and are reported on regularly to the Executive Committee.

The Board of Directors also has a specific **Committee** devoted to **Sustainability and Quality**, which meets 11 times a year to monitor in detail the main initiatives in this respect at both local and global level.

2.14.3. Responsibility to customers: our approach and performance

GRI 103

At Telefónica, we aim to build a long-term relationship of trust with our customers, whether the general public, SMEs or large businesses. That is why our priority is always to act towards our customers with **integrity, transparency and simplicity** in all areas of the Company.

Values of our Customer Promise

Integrity	Transparency	Simplicity
We fulfil our promises and acknowledge our mistakes	We proactively provide all relevant information	We offer products and services that are easy to use and we are clear and direct in our communications

The yardstick, for measuring how successful our management is in these areas, goes beyond fulfilling regulatory demands. We want to empathise with our customers and build a long-lasting relationship.

In 2021, many companies continued to promote home-working policies due to the **COVID-19 crisis, demonstrating the great importance of our services to ensure business continuity for those companies which continued to operate remotely**. Among the general public, having an Internet connection was essential for continuing to work, shop, study or communicate with family and friends.

In addition to the commercial initiatives put in place in 2020 to adapt to our customers' needs, we launched other measures in 2021:

- **We increased accessibility for our customers** to further facilitate their relationship with us, by adding a WhatsApp-based customer service channel and enabling customers to handle certain formalities by themselves via online channels (debt payments, arranging in-store appointments, etc.).
- We introduced the **Customer Health Score (CHS)**, which pursues excellence in the products and services we provide our customers, from the initial product development stage right through to maintenance once they are on the market. This is a prerequisite for launches of new products and services.
- We enabled initiatives that reinforce **transparency towards customers**, such as clearer and simpler bills, alerts in the event of increased consumption and management of promotions prior to expiry. We accompanied these measures with a new policy of upholding any customer complaints about charges which could be due to involuntary use (such as roaming or additional charges). We also redefined all debt payment processes, making them more transparent, customer-friendly, flexible and digital.
- We demonstrated the **commitment** of our Company in crisis situations, in this case to those affected by the volcanic eruption on the island of La Palma, by offering unlimited data to our customers who had been evacuated or affected by breakdowns, halting the issuing of bills and/or collection notices, and doing away with equipment return penalties for customers requesting cancellations.

> Customer experience: quality indicators

All Telefónica Group operators conduct monthly satisfaction surveys of our customers to learn how our services are perceived. In these surveys, we ask about the quality of the network, the commercial offering, the customer service we provide through various channels, bills, mobile top-ups and prices, among other things. One of the indicators we extract from these surveys is the **Net Promoter Score (NPS)**. This information shows us our customers' satisfaction levels with our products and services and whether our customers recommend us.

We have been monitoring and reporting our NPS as a recommendation indicator for our products and services since 2018 and we calculate the Group's global NPS based on the results obtained from each of our operators.

In 2020, the overall calculation was performed based on the results obtained from our four main operators (Spain, Germany, UK and Brazil); in 2021, however, following the approval of the joint venture deal between Telefónica United Kingdom and Virgin Media which was closed on 1 June, the Group calculation was performed based on the results obtained from Spain, Germany, Brazil and Hispam.

The 2021-2020 comparison, including this country-based adjustment, is as follows:

NPS Telefónica Group⁽¹⁾

	2020	2021
	23	27

Note:

(1) Includes Spain, Germany, Brazil and Hispam (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela).

(2) 2020 data recalculated for comparability purposes.

We closed 2021 with a result of 27%, **up 4 points** on the previous year's result and thus beating our annual target thanks to the positive performance in Brazil and more significantly in Spain, while Germany ended 2021 showing signs of recovery.

The quality of our network consolidated its position as a key asset with regard to the trust and satisfaction of our customers, due both to the improvements made and the performance of our network during the pandemic.

However, the pandemic had a negative impact on customer service results.

Telefónica outperforms its competitors in every country.

When broken down by segment, the results for the year were still exceptional:

NPS Telefónica Group (by segment)⁽¹⁾

	2020	2021
B2C	17	19
B2B	42	55

Note:

(1) Only includes the three main operators (Spain, Germany and Brazil).

We improved by 2 points in the B2C segment compared to the result for 2020, and by **13 points** in the **B2B segment**. This result was thanks in part to the exceptional measures which we took taken during the pandemic which enabled continued connectivity.

> Reputation

At Telefónica, reputation is key to ensure consistency with our long-term vision. Measuring reputation allows us to see how society (customers and non customers) perceives our overall performance and helps us to understand their expectations. To do this, we focus on four key features: admiration; esteem; confidence, and; good impression (the RepTrak Pulse® model). This model also enables us to identify drivers and define specific, practical reputational plans adapted to each country. This indicator has also been part of the variable remuneration of our employees since 2019.

In 2021, the **consolidated RepTrak Pulse® score** consisted of the results from Germany, Brazil and Spain, obtaining 67 points out of 100, **an improvement of almost 5 points on the previous year** (recalculated 2020 data excluding the UK: 62.3). This increase was essentially due to how positively society rated connectivity in the wake of the pandemic and how, in particular, Telefonica was able to serve customers and society. The pandemic brought home the essential role that the sector has played in addressing economic and social recovery.

Following the merger in June, Virgin Media O2 was born and began to establish its own reputation. An overall score of 62.8 (Aug-Dec 2021), based on the standard 7-driver RepTrak model, was underpinned by strength in more rational drivers such as Leadership and Products and Services, aided by the successful launch of the Company's first joint proposition, Volt and the completion of the Gig1 broadband across the entire network.

O2 scored a RepTrack Pulse of 74 for the period previous to the merger (Jan-May). This result reflected continued strong performance in the key area of Customer Responsibility and Governance and Citizenship.

> Complaints

All our operators have teams that focus exclusively on bringing down the number of dissatisfied customers and reducing complaints, regardless of the channel through which they reach us. To do so, we implement measures such as those outlined below.

- **We provide channels** through which our customers can exercise their right to complain at any time, 24 hours a day, 365 days a year. The main channels are our call centres, online channels, social media, stores and postal mail.
- **We report the evolution of the number of complaints and resolution times to the competent authority**, as well as other information required about the quality of the service we provide, in accordance with the guidelines and parameters set by the regulatory body in each country.

The following table provides the details of our main operations, the corresponding regulatory bodies and the websites where you can find the information we provide:

Regulatory bodies of the main countries in which we operate

Spain	Secretaría de Estado para el Avance Digital/CNMT	https://www.telefonica.es/es/acerca_de_telefonica/calidad/calidad-servicio
United Kingdom	Office of Communications (Ofcom)/ Financial Conduct Authority (FCA)	https://www.o2.co.uk/how-to-complain/complaints-figures
Germany	Bundesnetzagentur	https://www.bundesnetzagentur.de/SharedDocs/Downloads/EN/BNetzA/PressSection/ReportsPublications/2020/AnnualReport19.pdf?__blob=publicationFile&v=1 (pag. 64-75)
Brazil	Agencia Nacional de Telecomunicaciones (Anatel)	https://apps.anatel.gov.br/AnatelConsumidor/DesempenhoPrestadorasHome.aspx
Argentina	Ente Nacional de Comunicaciones (ENACOM)	http://datosabiertos.enacom.gob.ar/dashboards/20003/denuncias-y-reclamos/
Chile	Servicio nacional del consumidor (SERNAC) y Subsecretaría de telecomunicaciones (SUBTEL)	https://www.sernac.cl/portal/619/w3-propertyvalue-20977.html https://www.subtel.gob.cl/estudios/indicadores-de-calidad-de-red-movil/
Colombia	Comisión de Regulación en Telecomunicaciones (CRC)	https://www.movistar.co/web/portal-col/atencion-cliente/proteccion-al-usuario/indicadores-de-gestion/noviembre-2020
Peru	Ministerio de Transportes, Comunicaciones, Vivienda y Construcción/Organismo Supervisor de Inversión Privada (OSIPTEL)	http://www.movistar.com.pe/indicadores-de-calidad
Ecuador	Agencia de Regulación y Control de las comunicaciones (ARCOTEL)	https://www.movistar.com.ec/documents/17502/201455/2020_Q2_SMA-O-QoS-5_Par%C3%A1metros_de_Calidad_General_Abr_-_Jun_2020.pdf
Venezuela	Comisión Nacional de Telecomunicaciones (CONATEL)	http://sais.conatel.gob.ve/otrs/
Mexico	Instituto Federal de Telecomunicaciones (IFT)	http://www.ift.org.mx/usuarios-y-audiencias/informes-estadisticos-soy-usuario http://www.ift.org.mx/sites/default/files/contenidogeneral/usuarios-y-audiencias/soyusuario3acc_0.pdf

We have also introduced a number of programmes to **improve and encourage active listening to customers**. They consist of analysing the behaviour patterns of customers who complain more than once and analysing the root cause of complaints, seeking at all times to improve our processes so as to offer the best service to our customers.

In Spain, during 2021, we worked on **updating our system for collecting customer experience data in the General Public segment**. This means gaining a better understanding of customer opinions, which is the first step towards being able to improve their experience. The initiative is part of a project to transform our relationship with our B2C customers for the better (Venecia). Although our system for measuring customer satisfaction was sound, the new programme (in which we are supported by a leading supplier from the Voice-of-the-Customer feedback sector) offers the following advantages:

- Distribution to the entire organisation of Voice-of-the-Customer (VoC) data, from senior management to those who interact with customers in the various channels and processes, not only following a numeric/quantitative evaluation approach but also having at our disposal all the customers' comments which help to change and improve, as well as making them available to the suppliers participating in providing the services.
- Integration of all the information into a **single platform** with different **capacities for quantitative analysis** through multiple variables that make it possible to take a deeper look at the root causes.
- **Automatic analysis of customer sub-categories** to gain a better understanding of our strong points, as well as opportunities for improvement, so as to guide our projects based on this information.
- Having feedback from O2 customers at our disposal, alongside that from Movistar, as a benchmark for improvement given that O2 received the highest ratings from its customers in the entire market.

In the same spirit of cultural change, we introduced a new scoring system to pursue excellence in the products and services we provide customers, from the initial product development stage right through to maintenance once they are on the market. This is what we call the **Customer Health Score (CHS)**, as it aims for services to be 'healthy' for our customers. It interlinks with **Responsible Design of products and services**, aiming to develop services with a customer-oriented focus to achieve the least friction possible throughout their life cycle. We are setting ourselves the target, included in the ESG plan, that all our products and services achieve a Customer Health Score of over 90%. Our main B2C products have already been assessed and included in our Customer Health Score table, and initiatives have been rolled out for those whose score fell below 90%.



You can find more information about Responsible Design in chapter 2.9. Responsibility in our products and services

Our **DNA Vivo programme**, in Brazil, focusing on pursuing excellence in customer relations, was recognised in the 2021 Customer Centricity World Series Awards, given by the prestigious ARCET Global Institute, as one of the three best customer experience strategies. The programme has evolved as follows:

- **DNA Thermometer:** over 2,7 million customer responses collected and more than 2,700 employees at all levels of the organisation accessing them. We are able to extract new insights in a swift and easy manner through the DNA Thermometer, as well as through video surveys and a powerful, high-precision Text Analytics tool.
- **DNA Solve:** programme designed to close the loop. Over 700,000 detractors were contacted, with a success rate of 85% as regards change in perception.
- **Culture:** more than 4,000 employees received training in benchmarks and methodologies in order to implement over 360 customer-experience-oriented projects autonomously.

Both programmes (Spain and Brazil) use the same tool, Medallia, which has also been introduced in our operations in Germany and the UK. This means we have the same, overall, customer-experience measurement tool for our main markets, having positive repercussions on the sharing of best practices between our operations.

In Spain, the Service Quality report is published quarterly on the Telefónica website, as provided for in Order IET/1090/2014 of 16 June, regulating conditions relating to service quality in the provision of electronic communications according to the guidelines published by Spain's Secretariat of State for Digital Advancement (SEAD).

Following our review of communications with customers, we strengthened systems that deal with complaints, even launching an automated system to identify the root cause of claims in real time, based on big data and AI techniques. This will enable us to roll out projects that reduce complaints more dynamically in the short term.

> Customer Defence Service

Telefónica's Customer Defence Service has been running since 2006, reflecting the commitment to quality the Company upholds with regard to its customers. This service is the second-instance mechanism within the Company for handling complaints. It seeks not only to resolve any incidents with the Company, but also to ensure customers are heard at the level of its operational areas by identifying any points that impair the relationship between them. As a result of listening pro-actively and analysing the cases related to the complaints, the service identifies opportunities for improvement in the processes and actions of the business.

In 2021, some of the issues brought to the Company's attention centred on incidents related to cancellation of services and new offers associated with devices, entailing both confusion about the offers and problems arising from withdrawal rights.

Customers can escalate their complaints to the Customer Defence Service, as a higher authority for handling complaints, in the event they have not received a satisfactory answer from the front-line customer service area. The solutions delivered by the service are based on the criteria of fairness and impartiality, and are binding on the Company. It is independent from any operational areas of the business, in order to fulfil its objective of being an independent service.

With the aim of prioritising digitalisation and environmental sustainability, over the last few years the service has been encouraging customers to file complaints online, and in March 2021 it eliminated the option of filing complaints by post. Furthermore, in line with the goal of becoming even more customer friendly, customer authentication options for filing online complaints were increased by adding the option of registering complaints using scanned ID documents (user name and password for "Mi Movistar" app, plus electronic ID card). However, the option of handing in paper-based complaint documentation at the Company's headquarters remains open to elderly people and those lacking the appropriate resources, etc., who are unable to file complaints online.

In 2021, the Customer Defence Service recorded the filing of over 3,200 complaints. Of the complaints received, 69% were accepted for processing and 90% were favourable, either partially or totally. The percentage of customers who rated the usefulness of this service positively was 77%, highlighting its independence level in 76% of the cases.






MILESTONES

- We reinforced transparency and increased accessibility in our channels, fulfilling our goal of social inclusion.
- Our global NPS increased to 27%, up 4 points compared to 2020, driven significantly by Spain and Brazil.
- We introduced the Customer Health Score (CHS) in Spain, which pursues excellence in our products and services.
- The Vivo customer experience programme received an award in the Customer Centricity World Series Awards 2021.

2.15. Privacy and security

KEY POINTS

-  **We protect our customers' data with high standards of privacy and security, monitored at the highest levels of the Company.**
-  **We are transparent about how, why and when our customers' data is collected, used, stored and disposed of, as well as how we protect it with a high level of security.**
-  **We empower our customers to have access to and control of their personal data.**

2.15.1. Vision

GRI 103

Technology **improves people's quality of life and generates wealth**, provided that their privacy is respected and the highest level of security is guaranteed throughout the processing of their information and personal data.

We want **our customers to feel confident about using our products and services** and to be aware that we respect their rights at all times, offering them choices about the use of their personal information.

For this reason, we work on the **privacy and security** of our customers, to generate a relationship of trust with all those with whom we are linked, and we focus on the following pillars:

- Individuals must be able to manage and **have control over their personal data**. In this way, access to their data and to additional information on risks and benefits associated with their management is made possible.
- The **principle of transparency** is about making simple tools available to people that can substantiate this control over data and the appropriate technological development to generate maximum respect for privacy and information security.
- Data must be secure and **the privacy of individuals must be preserved**. This is the basis of our business

and our primary consideration when designing our services and collaborating with third parties.

- We apply **privacy and security from the design** and active responsibility for our products and services so that data protection and security requirements are incorporated from their initial conception.

Each pillar stands for policies and processes that not only ensure compliance with growing regulation, but also increase transparency in how we manage data privacy and security.

2.15.2. Privacy

GRI 103

Telefónica respects the fundamental rights and freedoms of individuals, including the fundamental right to the protection of personal data. The Principles of Responsible Business and the Group's code of ethics envisage the need to **preserve this fundamental right** and establish common guidelines of behaviour for all the companies that form part of the Company.

2.15.2.1. Governance

At Telefónica we have a governance model for the management of Personal Data Protection aimed at ensuring effective and efficient management of privacy and that the model is aligned with the Group's strategy.



The person responsible for the Group's personal data protection function is the global Data Protection Officer, who reports directly to the Board of Directors of Telefónica, S.A. through the Audit and Control Committee. To **ensure compliance** with this function, the different corporate areas meet twice yearly as part of the Governance Model Monitoring Committee, the Business Committee and through the Local Data Protection Officers.

In addition, the Sustainability and Quality Committee (a standing committee of the Board) is responsible for promoting and monitoring the implementation of Telefónica's Global Responsible Business Plan, which

includes specific targets in the area of privacy. The Board is informed monthly about the implementation of the Plan by the Department of Corporate Sustainability, which is run by the Office for Responsible Business and includes the heads of the global operational areas.

2.15.2.2. Policies

We drive and review different global and local policies, processes and procedures, as depicted in the chart below:

Privacy regulations



Global Privacy Policy

Corporate Rule

Approved by the Board of Directors of Telefónica S.A.

Telefónica S.A.



It establishes obligatory rules of common behaviour for all the Company's entities, laying the foundations for an approved privacy culture based on the principles of legality, transparency, commitment to the rights of the data subjects, security and limitation of the retention period.



Regulation of the Governance Model on Personal Data Protection

Corporate Rule

Approved by the DPO Office Department at Telefónica S.A.

Telefónica S.A.



It establishes the strategic, organisational and operational, and management framework applicable to the different actions in the field of data protection.



Regulations Governing Enquiries from the Competent Authorities

Corporate Rule

Approved by the Ethics and Sustainability Department

Telefónica S.A.



It sets out the principles and minimum guidelines that must be referred to in the internal procedures of each of the Group's companies/ Business Units/OB to comply with their duty to cooperate with the competent authorities as regards our customers' data.

In addition, we have so-called '**Operational Domains**', which are privacy procedures defined and implemented throughout the data lifecycle and which regulate, among other issues, the recording of processing, risk analysis and impact assessments, international transfers, personal data security breaches, third party management, internal audit plans, training and awareness, data subjects' rights and data retention and deletion.

2.15.2.3. Risks and opportunities

Rapid technological progress and regulatory dynamics in the field of data protection pose significant challenges in adapting and responding to the evolving changes in the field of privacy. This entails the need to **identify risks, assess and mitigate them** and also to leverage opportunities related to Telefónica's commitment to protecting the privacy of its stakeholders.

More information on this issue can be found in chapter 3.



[More Information on chapter 3. Risks](#)

2.15.2.4. Strategy and commitments

GRI 103

The privacy strategy is based on three pillars:

- **Protection:** protect our customers' personal data through robust policies and processes.
- **Transparency:** be transparent about how and why we collect, use, store and delete our customers' personal data.
- **Empowerment:** Empower our customers through simple and secure tools so that they can control the use of their personal data.

Our main lines of action are:

- Privacy by design.
- Digital privacy
- Transparency initiatives
- Client empowerment
- Consultation and complaint mechanisms

> Privacy by design

The principle of **Privacy by design** is one of the Telefónica Group's essential, strategic pillars and is defined in our compulsory internal regulations.

The concept of Privacy by design implies the obligation of the whole organisation to establish, in the design of products and services, procedures that mainly take into account two aspects. Firstly, the implementation of privacy protection measures from a legal and security point of view in the early stages of any project. And secondly, that all business processes and practices involved in each activity or processing that may affect personal data are covered.

We have our own Privacy by design guidelines to define the set of rules, standards and legal and security processes that must be taken into account to comply with our **Global Privacy Policy**. All of this is to ensure that the rights and freedoms of the individuals who hold the personal data are guaranteed as from the initial definition of any processing project or activity.

These practical guidelines stand as reference documents for the Group's professionals who are in charge of developing and implementing products and services, as well as for internal use cases that directly or indirectly involve the processing of personal data. Consequently, these may be likely to affect the right to privacy of individuals, whether they are customers, users, employees, etc.

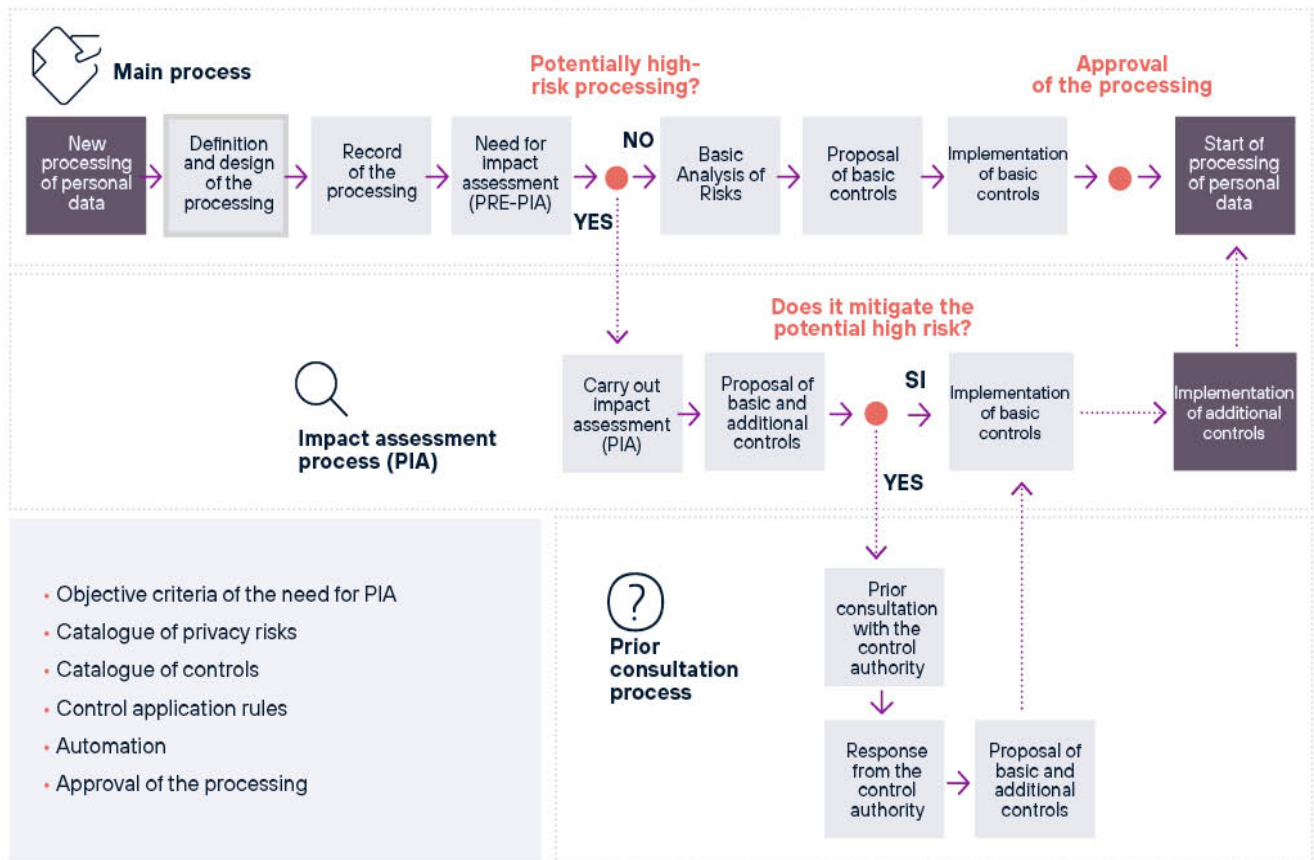
In addition, product managers are supported by the privacy and security specialists in the area of each company and/or business unit of the Group, in order to ensure that all necessary legal and security requirements regarding privacy are taken into account from the very moment of design,

We use a **risk management-oriented approach of proactive responsibility** (critical and continuous self-analysis in the fulfilment of the obligations required by the regulations). The aim is to establish strategies that incorporate privacy throughout the entire data life cycle in the processing operations of each product or service: Collection and obtainment, Processing, Exercise of rights and Retention and deletion.

When defining or developing any product or service, the practical application of Privacy by design involves aspects such as the lawfulness and definition of the legitimising grounds for the processing; the guarantee that the data is secure and that the most appropriate security measures are being applied according to the potential risks; their transparency in the privacy clauses and policies in relation to the data subject; the **minimisation of data** in that it must be strictly necessary for the purposes of the processing, the commitment to the data subjects' rights and the limitation of the period of retention, among others.

The Privacy by design process that was defined by the Telefónica Group's Global Data Protection Office includes at least the following activities:

Privacy by design process



More information on responsible design can be found in chapter 2.9. Responsibility in our products and services

> Digital Privacy Framework

We digitalise the Privacy process from design through the **Digital Privacy Framework**, implemented in our systems and platforms where data processing takes place, such as the 4th platform.

This defines the framework for the global legal and privacy strategy with respect to the General Data Protection Regulation (GDPR) and the ePrivacy regulation on data processing platform products and systems.

In it we adapt our privacy guidelines to a technological reality by standardising and conceptualising the functional and technical requirements of the dynamics of privacy systems and implementing them automatically and digitally in processing.

This digitalisation is implemented by design and naturally enables us to build a transparent ecosystem, making it possible to build a dynamic and automatic privacy process between the customer and the systems that carry out the processing, in compliance with the GDPR.

The Digital Privacy Framework will be operational in 2022 in the most demanding jurisdictions in terms of anonymisation requirements, as well as the implementation in systems of capabilities to digitally manage privacy.

> Transparency initiatives

At Telefónica we make privacy more human and understandable by **focusing our design principles on people** or human-centred design. In this regard we are committed to putting transparency into practice by including it as one of the principles of the Global Privacy Policy and developing different initiatives to implement this principle:

Global Privacy Centre

This is a public reference point for our global privacy and security policy and processes. Our stakeholders can find all the information they need easily and in a simple format by means of visual and graphic resources. Available at www.telefonica.com.

Operators' Privacy and Security Centres

The aim of these centres is for both our customers and any stakeholders to be able to obtain information, in a simple, digital and understandable way, on the processing of personal data performed by the operators and other relevant information on privacy and security matters. For example, channels and means for exercising their rights, the security and confidentiality measures adopted to process their data, the privacy terms and conditions applicable to our products and services, transparency reports, our Artificial Intelligence principles, as well as the **child security and protection** issues that apply in each case in digital environments. They are currently available on all operators' websites.

Telecommunications Transparency Report

We publish an annual report on the requests we receive from the competent authorities in the countries where we operate. This report includes information on the number of requests for: lawful interception, access to metadata associated with communications, blocking and restriction of content, and geographical and temporary suspension of service.

For any request we follow a strict procedure, which is laid down in the Regulation for requests from competent authorities. This guarantees to the same extent the fulfilment of our obligations in terms of collaboration with these authorities and the **protection of the fundamental rights** of the people affected, in accordance with our commitment to respect for human rights.



[Go to chapter 2.8. Human Rights](#)

In 2021, a total of 5,263,552 requests for customer information from competent authorities (lawful interception and access to metadata) were recorded. Of these applications, 39,313 were rejected, which was 99% of the requests dealt with. The number of accesses/customers affected is 7,065,651.

> Customer empowerment

As part of the principle of transparency, Telefónica provides customers with access to the data they generate during the use of our products and services, data that are collected in the so-called 'Personal Data Space' of the 4th platform and which are accessible through different channels such as the Transparency Centre in the **Mi Movistar app**.

The year 2020 saw the launch of the **Transparency Centre** in Spain, which offers access to their privacy preferences for all customers and the management of data collected in the 'Personal Data Space', which is currently available to a group of users through the 'Mi Movistar' application (in the Security and Privacy section of the User Profile).

In the Transparency Centre, through the Privacy Permissions section, customers can manage the legitimising grounds relating to the use of their data for certain purposes. The Access and Download section offers useful views of different types of data, with a user-friendly experience and compliance with privacy criteria. It also has the option to download a document with further details on the datasets.

The Transparency Centre experience has been designed to **give users confidence**, with clear language, explaining the purpose for which their data is processed and its nature within Telefónica.

The Transparency Centre represents the first steps towards fulfilling our promise to give our customers features for them to control and ensure the transparency of their data, albeit in accordance with applicable regulations on privacy. For example, in Europe this processing will be fully aligned with the General Data Protection Regulation (GDPR).

> Consultation and complaint mechanisms

Besides the mechanisms established in the privacy policies and centres, Telefónica has implemented other means of consultation and mediation to deal with any incidents in this area:

Responsible Business Channel

We have a public channel on our website where all our stakeholders can consult or complain about any aspect related to the Responsible Business Principles. In 2021, 9 communications on privacy and 2 on freedom of expression were processed or received a reply or, where applicable, a solution.

Voluntary mediation system with AUTOCONTROL

Operational since January 2018 to provide a swift response to complaints related to **identity theft and the receipt of unsolicited advertising**. The procedure was developed by the Asociación para la Autorregulación de la Comunicación Comercial (AUTOCONTROL) in collaboration with the Spanish Data Protection Agency (AEPD). It also involves the participation of Orange, Telefónica and Vodafone and is open to other entities. This information can be found in the Movistar Privacy Centre.

Fifty-three requests for mediation were processed in 2021.

Targets

- Update of the Group's Privacy Policy
- Development of Binding Corporate Rules (BCRs)
- The Transparency Centre will be available on all channels by 2022 in Spain.
- Update of privacy and security training plans for suppliers and employees

2.15.2.5. Progress in 2021

GRI 418-1

During 2021, we continued to update new local privacy and security centres located on the commercial websites of the Telefónica Group operators and we completed the total renovation of the Movistar Transparency Centre in Spain available on its website.

On the other hand, the **Transparency Centre** has been launched **on television**, through the Mi Movistar section of Movistar+, fulfilling the promise of giving control of their data to our customers through digital channels.

Proof of our progress in terms of privacy and freedom of expression is that in 2021 and for the second consecutive year, we were first among all telecommunications companies in the **Ranking Digital Rights (RDR)**. This ranking assesses company commitments, policies and practices that affect freedom of expression and customer privacy, including governance and oversight mechanisms. In this edition, the methodology was revised, integrating indicators on targeted advertising and algorithmic decision-making systems.



MILESTONES

- We updated and developed all local Transparency Centres.
- First telco in the Digital Rights 2021 Ranking.
- We made progress in the implementation of privacy digitalisation.
- We digitalise business continuity management processes.

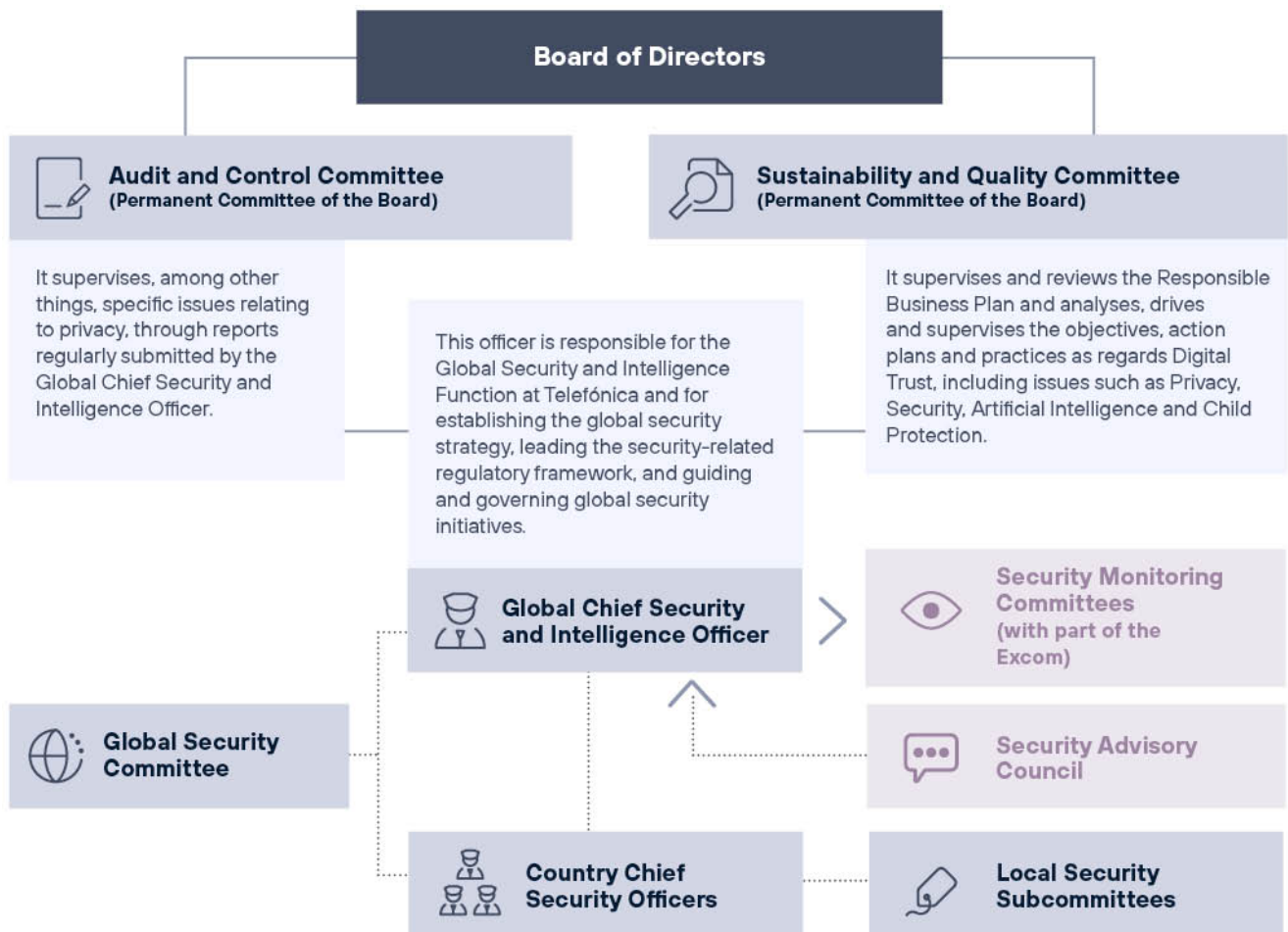
2.15.3. Security

The increase in the number and complexity of security threats, together with their diversification, leads to a constant application and management of security measures. For this reason, we believe that security should be managed within a **cycle of continuous improvement**, and understood as an integral concept encompassing physical and operational security, information security including cyber security, business continuity and fraud prevention.

The security strategy is based on a number of activities that reinforce the Company's business operating processes and transformation initiatives. These activities form a security management system according to international reference frameworks and standards such as ISO 27001 and NIST.

2.15.3.1. Governance

To achieve effective protection of the Telefónica Group's assets, including services and data, and to ensure the necessary resources and support, the Security Area has the backing of the company's Management and reports to the highest level. The Security Area is indexed on a **solid organisational structure** starting from the Board of Directors through its Sustainability and Quality and Audit and Control Committees, to the security structures in the local operations, and extends to the safety structures in the local operations, as depicted in the graph below:



The head of the Global Security and Intelligence area at Telefónica is the Global Director of Security and Intelligence and has been delegated the authority and responsibility by the Company's Board of Directors to establish the global strategy for this area. **He/she leads, guides and governs the policy framework** and global initiatives in this area. He/she reports to the Board of Directors through the Audit Committee and the Sustainability and Quality Committee. The director proposes a local security manager in each Telefónica Group company.

From a governance and coordination point of view, the global security committee is established, chaired by the **global director of Security and Intelligence**, with the participation of the corporate heads of different areas of the Company (Compliance, Audit, Legal, Technology and Operations, People, Sustainability, etc.) and local security officers. There are also local and functional Security Sub-Committees chaired by the local Security Officers. They collaborate in the definition of strategic initiatives and global guidelines and implement them in each Telefónica Group company.

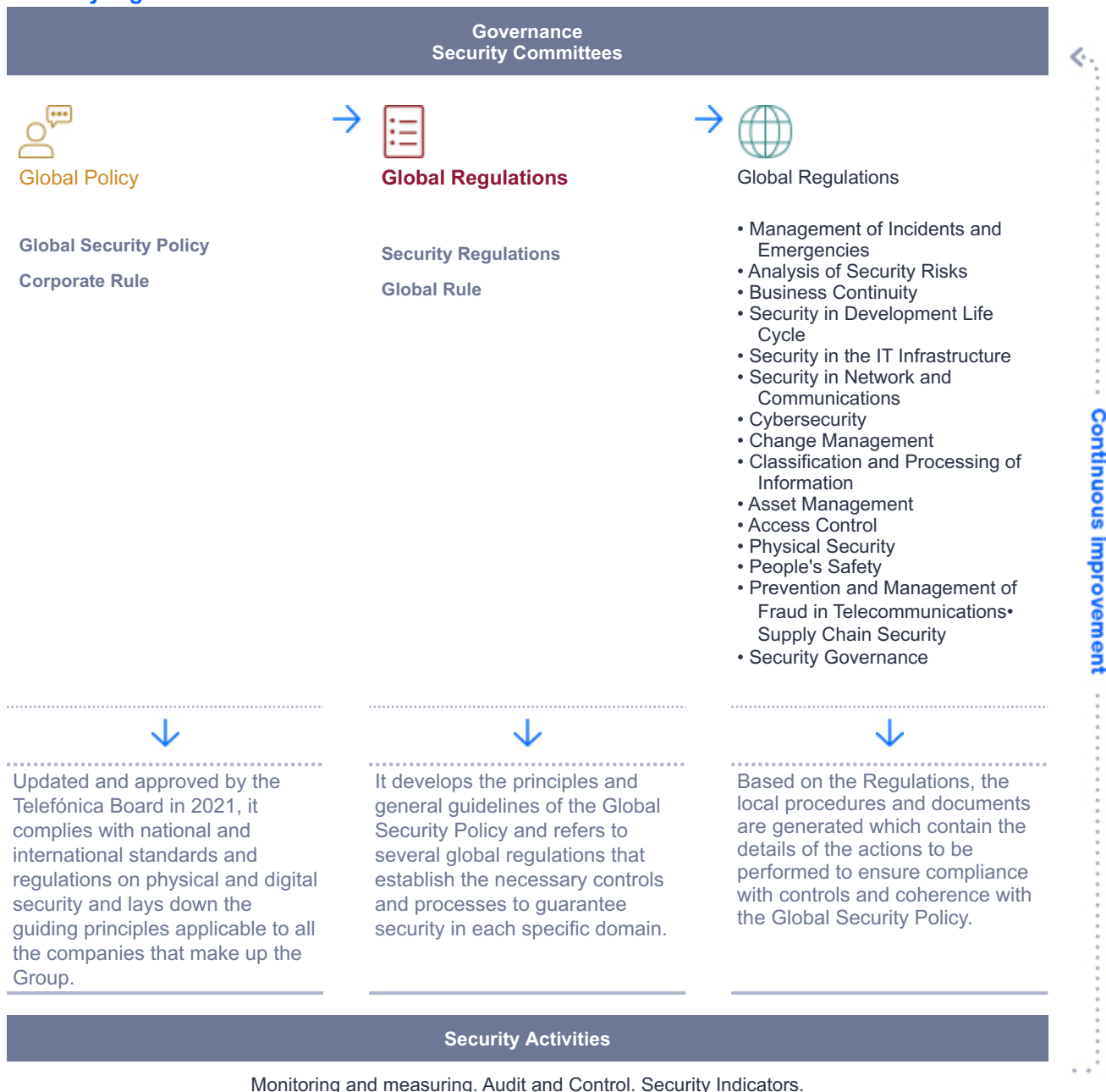
In addition, the Global Security and Intelligence Area promotes and drives the Global Digital Security Committee in which several members of the Company's Executive Committee participate.

In addition, Telefónica has a **Security Advisory Board** made up of major figures from outside the Company, in the broad field of security and intelligence, with the aim of contributing best practices and their opinion on our strategy.

2.15.3.2. Policies

The security lifecycle aims to **protect the company** against potential damage, protecting people and property, and guaranteeing the confidentiality, integrity and availability of the Company's information assets, including services and data. To achieve these objectives, we promote different safety policies and activities, forming a management system that is compatible with international reference frameworks and standards. Policies and activities are reviewed and updated as a result of a continuous improvement cycle. Periodic findings and measurements, changes in context, and newly identified risks are taken into consideration, as reflected in the following scheme:

Security regulations



Our framework of security controls is formalized in official certifications such as ISO27000 and PCI-DSS, for those cases in which it is efficient or necessary in the processes of customer relations and regulatory compliance. In turn, we may require our IT service providers to have certified security management systems or ISAE 3402 or similar reports.

2.15.3.3. Risks and opportunities

Information technology is a relevant element of our business and is exposed to **cybersecurity risks**. For this reason, cybersecurity risk is included in the Company's basic risk map, which defines guidelines to facilitate uniform reporting, alignment with business objectives and corporate risk tolerance criteria.



[Go to chapter 3. Risks](#)

2.15.3.4. Strategy and commitments

At Telefónica we understood as a comprehensive concept that aims to protect its **assets, interests and strategic objectives**, ensuring on the one hand its integrity and on the other removing potential threats that could damage its value, affect its confidentiality, reduce its effectiveness or alter its operation and availability.

Comprehensive security encompasses:

- physical and operational security (of people and assets)
- digital security
- business continuity
- fraud prevention
- any other relevant area or function aimed at corporate protection against potential damage or loss.

In turn, the concept of digital security integrates the aspects related to information security and cybersecurity, being applicable to the supports, systems and technologies and elements that make up the network.

The security provisions applicable to the Telefónica Group's assets will also apply to its collaborating entities (suppliers, subcontractors, etc.). This applies when their activity affects those in the development of their business, being extrapolated to the entire supply chain and with special focus on those that manage Telefónica Group data.

The security activities performed by the different organisational structures, those responsible for assets and employees are governed by the **principles of legality, efficiency, co-responsibility, cooperation and coordination**, for whose promotion, management, control and improvement the appropriate mechanisms have been established.

The Company's Global Strategic Security Plan, reviewed and approved by the global security committee on 30 September 2021, aims to integrate security policy into Telefónica's strategy and identifies and prioritises the main lines of action.

> Digital security or Cybersecurity

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. This is applied in practice and in processes, tools and capabilities that aim to anticipate and prevent cybersecurity risks.

Given the current context of cybersecurity and Telefónica's status as a digital operator, special focus is placed on the following aspects:

Cyber-intelligence and incident management

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 and response**, through a network of 19 Incident Response Centres (CSIRTs) working in a coordinated manner, local and global level, to resume normal service as soon as possible and with the least possible impact.

Our approach to cyber-intelligence is based on a proactive approach, applying knowledge and technology to achieve the required levels of protection by quickly detecting breaches or attacks on assets. We also build the technical and human capabilities needed to **respond effectively and quickly** to any breach or incident in order to minimise attacks and their consequences.

We have a bug-bounty programme in place with selected industry experts to discover weaknesses.

We have a global **network of Incident Response Centres (CSIRTs)** that coordinate to understand and analyse the risks of potential cyber-threats, monitor the serious bugs in the most critical technological assets, establish relationships with other national and international CSIRTs/CERTs in the public and private sectors, detect potential security incidents that affect the Organisation's technological assets and respond to and manage security incidents affecting the Organisation.

During 2021, 3 **high-impact security incidents** were managed. We consider high-impact incidents to be those that meet certain criteria at a global level (e.g. economic, legal, service or media impact). Of the total number of incidents, 1 incident involving Telefónica España affected customer data. We followed the transparency protocols, notifying the affected users and the Spanish Data

Protection Agency of the incident. The incident management protocol was also followed in terms of detection, analysis and response, establishing the appropriate mitigation measures.

Lessons learned from incidents are a major part of feedback for security improvement projects in processes and technological capabilities and platforms.

The **CSIRT Network CyberExercises** are an initiative by the global CSIRT that offers an evaluation, training and coaching environment specially designed for incident response teams. It involves teams from Telefónica's international CSIRT network.

We have a global public mailbox so that users can report **bugs or threats** that could affect Telefónica's technological infrastructure. This mailbox can be found on the Telefónica Global and Operators' websites in the Global Privacy Centre/Security section.

The Company has various **insurance programmes and coverages** in place that could mitigate the impact on the income statement and balance sheet of the materialisation of a large number of risks. In particular, there is cover for cyber-risks that could cause a loss of income, loss of customers, extra costs or recovery costs for digital assets, among others, and cover for Technological Errors and Omissions in the event of claims for damages to customers and third parties in general. The current global insurance limits range in value from €100 million to €500 million.

> Network security

Our approach to networks and communications is based on good knowledge of our assets and sites, as well as their characteristics and their importance for the business. Accordingly, the networks are properly planned and executed in keeping with applicable security requirements to minimise the risk of downtimes, unauthorised access or destruction.

Telefónica's role as a telecommunications operator makes it essential to **improve controls** for the security of its own fixed and mobile communications networks and infrastructure and the associated service platforms (for example video, and Internet of Things). Accordingly, the aforementioned security processes are applied in an integral manner to manage the risks associated with attacks and the exploitation of bugs in networks and protocols. This involves significant internal activity with our main technological partners and international organisations (e.g. GSMA) to reduce potential impacts. Examples can be found in the work done on 4G/LTE, SS7, BGP and other critical enabling technologies.

It is also worth highlighting the importance of the **evolution to 5G** and the company's position in actively contributing to making the new networks as safe as or even safer than their forerunners. The Company's technological developments in this area, such as the evolution of our network virtualisation platform, UNICA NEXT, network splitting or new radio access technologies are considering security by design.

> Physical and operational security

At Telefónica, we make a continuous effort to improve our capabilities for the physical protection of infrastructures and assets. Among the programmes we develop, the following stand out:

- the interconnection of control centres to create a resilient network that reinforces the availability of infrastructures for surveillance and protection services;
- the management of travel security for Telefónica personnel, which substantially improves response time and the mechanisms for action in the event of any incident;
- the implementation of consistent digital procedures and tools for global security monitoring.

> Security by design

Security is considered from the earliest stages in all areas of activity to ensure that it is an **integral part of the entire technology lifecycle**. This approach is based on: i. the risk analysis and management process ii. the development of proprietary technologies iii. the focus on innovation and domestic technology iv. employee awareness and v. the security requirements demanded of our supply chain and is implemented in the following areas:

- **Design of secure systems:** security requirements are a consideration from the design phase of applications and systems, incorporating controls against known bugs and ensuring that there are no security weaknesses at source. This results in systems and applications that are more resistant to malicious attacks.

The **management bodies** receive consolidated monitoring and control information for analysis. The analysis is used to define the preventive actions to be included in the strategic plan, considering security by default and from the design phase; it also reviews the aspects required in the global security policy and regulatory framework to take into account the appropriate considerations.



Go to chapter on 2.9. Responsibility in our products and services

> Supply chain security

At Telefónica we have safety requirements for our suppliers and we identify the risks associated with the provision of a service/product. During 2021, the implementation of the supply chain security initiative has continued to support and evolve.

This year, we have implemented and developed the **3PS+ tool**, which allows us to digitalise the entire process of managing security aspects throughout the life cycle of suppliers. This application allows all information related to security aspects to be available throughout the entire purchasing process. Its main characteristics are as follows:

Supply chain security process



- **Prior to contracting**, the application allows the generation of security requirements for new procurement processes that can be interacted with. For example, generating and modelling security requirements, uploading the answers given by suppliers, obtaining objective assessments of the level of compliance, etc.
- **During the provision of the service**, there is the possibility to monitor the security aspects related to the service. To this end, the system generates alerts based on the start date of the service and the selected monitoring period. This allows the user to record relevant information that may pose a risk to Telefónica's assets.

- **On completing the service provision**, it is possible to control how the provider's output is executed, and mitigate or even avoid the most common security risks at service termination: failure to block physical and logical access, failure to check VPNs/ports/systems used for services, etc.

All Telefónica Group employees have access to this tool, which simplifies and facilitates the obtaining of security requirements and the knowledge and management of the risks involved in the provision of a service/product by a supplier.

> Business continuity and crisis management

The business continuity function integrates various activities and processes aimed at improving our resilience.

In the event of a crisis, the priorities are:

- **Protect the integrity of people**, ensuring the well-being of employees and collaborators.
- **Provide the agreed services** to our customers, with the agreed availability and quality.
- **Protect and look after the interests** of our shareholders and institutional investors.
- **Comply with our regulatory and legal obligations**.
- **Protect and secure business** from a sustainability point of view.

The business continuity function is included in the global security policy. The details are defined in the Global Business Continuity Regulation and in various documentation, both globally and locally, for each business unit.

To ensure its continued evolution and the support of the Company's management, the Global Crisis Management Plan, which is in turn made up of the Global Crisis Management Project and the Global Business Continuity Project, is part of the Strategic Plan of the Global Security and Intelligence Directorate.

Global Crisis Management Plan



Our strategy is evolving by strengthening the following aspects:

- **Strategic vision:** global threats require global action. Having a strategic vision of business continuity enables global decisions to be taken that result in greater resilience.
- **Effectiveness in crisis management:** having a proven crisis management model, common to the entire company, both in its definitions and in the execution of its procedures.
- **Coordination and collaboration:** the organisational model guarantees, aligns and promotes the homogeneous development of business continuity in the various business units.
- **Standardisation of measurement:** this allows us to measure, without bias, various indicators that show us

the degree of maturity from the business continuity point of view, and the level of resilience of the Company. It also provides us with the necessary information to be able to establish medium and long-term objectives.

Each business unit has its own local business continuity office, and all local offices are aligned and coordinated through the global office. This is functionally located in the Global Security and Intelligence Directorate, which is part of the Company's corporate area.

The Company has a crisis management plan consisting of a global crisis management project and a global business continuity project. This is based on international standards such as ISO 22301 for business continuity management and ISO 22320 for emergency management.

For the execution of the **crisis management plan**, the processes of each of the areas are identified, detecting

scenarios that could lead to their interruption; potential treatment plans are considered; the business continuity strategies to be applied are decided and, if necessary, business continuity plans are generated with the appropriate actions to be taken.

Several global and local exercises are conducted annually. Some are intended to test business continuity mechanisms and others simulate a crisis scenario, unless during this period there has been an opportunity to test effectiveness or identify opportunities for improvement due to real continuity or crisis management situations.

> Governance model

The strategic evolution of the Company's business continuity function requires its own corporate governance. To this end, the Global Business Continuity Committee is responsible for making strategic decisions on aspects related to this area in the Telefónica Group. This body enables the definition of an overall strategy to take business continuity into account from design, as well as ensuring that the necessary resources are available and defining where efforts need to be focused.

Similarly, **local business continuity committees** are established as the bodies responsible for ensuring business continuity in each business unit. Their function is to guarantee the implementation of the strategic decisions taken at a global level and to transfer the needs, achievements and maturity indicators that allow a holistic view of business continuity in the Company.

The committees, whether at global or local level, prioritise and focus the resources of this function where they can generate the greatest impact and value for the Company, based on the following focal points:

- Strategic services
- Strategic projects
- Strategic suppliers
- Organisational aspects

The creation of the Global Business Continuity Office (GBCO), which coordinates the different Local Business

Continuity Offices (LBCOs), is the result of the evolution of a model that was distributed among the different business units towards a global model.

The GBCO is also the vehicle that transfers the different strategic decisions defined by the global business continuity committee to the business units.

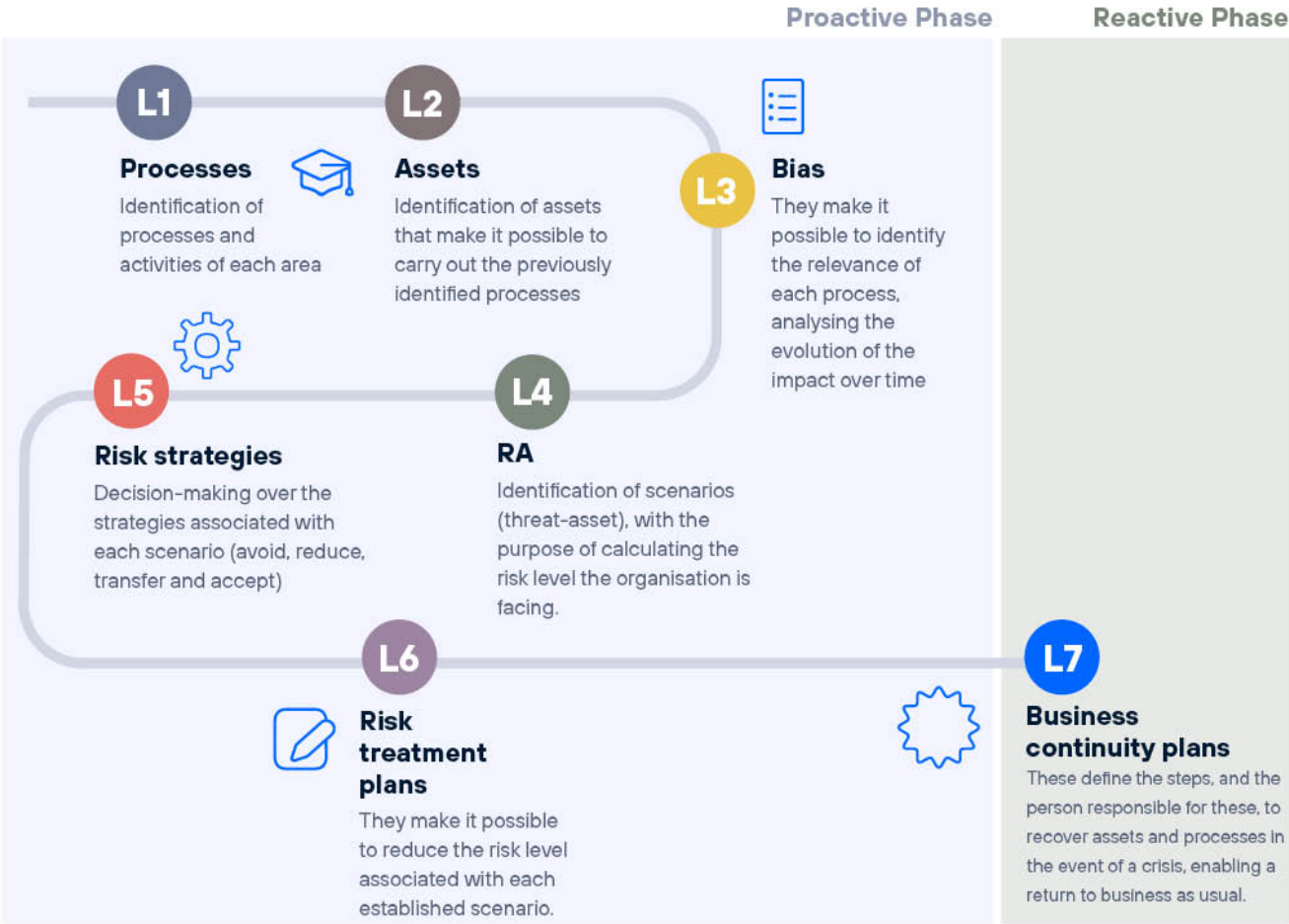
> Global business continuity programme

At Telefónica we have established a working methodology called the **Global business continuity programme**, aligned with the international standard ISO 22301, which is made up of the following phases:

1. **Planning:** a Statement of Work (SoW) detailing the scope of business continuity and an annual planning of activities.
2. **Implementation and operation:** deliverables aimed at establishing and documenting the business continuity mechanisms: a Business Impact Analysis (BIA) identifying the major processes and services, risk analysis, continuity plans, return to normality plans, etc.
3. **Monitoring and evaluation:** assesses the effectiveness of the business continuity arrangements in place by testing them in realistic and bounded scenarios. Indicators are available to assess the performance, maturity level and implementation of the overall business continuity project.
4. **Maintenance and improvement:** encompasses lessons learned and opportunities for improvement from Business Continuity testing, the actual execution of the business continuity management process and improvement initiatives arising from annual planning.

The LBCOs are responsible for ensuring and driving the proper implementation of the business continuity management process, which starts with the identification of processes/services. The process is shown in the following image:

Business continuity management system



> Business continuity maturity monitoring

In order to have a homogeneous measurement process of the correct execution of the management process by the LBCOs, the 'degree of maturity' has been defined.

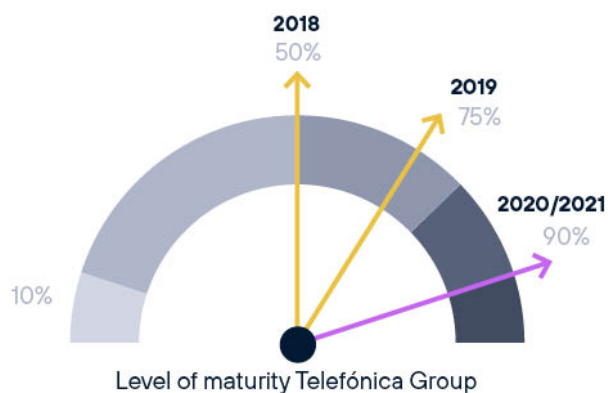
Business continuity maturity model



This homogeneous maturity model, in terms of Business Continuity process management capabilities, allows the different units to define medium and long-term objectives. It also provides the Telefónica Group with a **holistic and consolidated vision** that accompanies its strategic decisions.

Over the past years, we have reached and maintained an 'optimised' maturity level. This means that we have established, tested and gained lessons learned on the defined business continuity mechanisms:

Evolution of the degree of maturity



> Crisis management

The Global Crisis Management Project includes all aspects related to the successful coordination and management by senior management of events that could have a major impact on the Company, and which have to be treated as a crisis.

This project in the Telefónica Group is structured in four layers:

1. The first layer defines and classifies, in a univocal and homogeneous manner, the crises, their typology and the general strategy for dealing with them.
2. The second layer defines, in a univocal and homogeneous manner, the roles, responsibilities, means and channels involved in crisis management as well as the relationship and responsibilities between crisis committees.
3. The third layer groups together the procedures, plans and documentation necessary for crisis management.

The fourth layer defines, on a global basis, the architecture of warning systems, secure communication and, in general, the aspects related to digitalization that support the activities of the different crisis committees.

Layers of Crisis Management



Crisis

- Definition
- Classification (Local, Regional, Global)
- Overall strategy



Crisis Committee

- Chairman
- Members and boards
- Media and channels



Procedures

- Crisis response procedures
- Business continuity drills/plans
- Communication plans



Architecture

- Alert system
- Secure communication system
- Crisis committee support system

The global crisis management project provides additional and complementary mechanisms to business continuity, making it possible to manage incidents with a broad impact on the Company.

Three types of crises are described as part of the model:

- **Local crisis:** confined to one organisation or business unit in one country.
- **Regional crisis:** confined to several countries belonging to the same geographical region.
- **Global crisis:** confined to several companies or business units of the Telefónica Group in more than one country.

Depending on the type of crisis that is triggered, there are active protocols and means of alert, notification, management and coordination, which are known to all those involved in the overall crisis management project.

The main role in this management process is played by the members of the crisis committee, at global or local level. There is a differentiation between permanent members who participate in any activation, ad hoc members who participate depending on the typology of the crisis, and working or support tables for these members.

The Global Crisis Management Project enables us to:

- Accelerate the decision-making process.
- Enable a unified crisis management model.
- Centralise the receipt of information.
- Act as a unified tactical and decision-making figure.
- Decide how to act based on the crisis scenario faced, and building on the business continuity aspects worked on previously.
- Reliably transmit information about what has happened to customers, authorities, organisations or any other stakeholder.

Finally, it defines the obligation to conduct **tests and simulations** on different scenarios potentially harmful to the Company. This makes it possible to identify and improve the following aspects:

- Evaluate reactions to particular circumstances.
- Evaluate the preparation of documentation supporting crisis management activity.
- Evaluate coordination mechanisms.
- Prepare crisis committee members to act.

Targets

By 2022 we have set ourselves the following goals:

- Digitalisation of business continuity management processes.
- Digitalisation of the crisis management process.

2.15.3.5. Progress in 2021

Throughout 2021, **security measures** related to remote access and teleworking were further **strengthened** due to the situation caused by the evolution of COVID-19.

During the exceptional situation generated by the pandemic, the Business Continuity offices continued to identify the most relevant processes, both to ensure that they are sufficiently robust and to guarantee the resilience of the Company.

Both the crisis management process and the available resources were activated satisfactorily, maintaining the service levels agreed with customers at all times and adapting the network capacity to changes in demand. This scenario allowed the practical application of the global crisis management project in all Telefónica Group business units, strengthening the common management model, the standardisation of the architecture that supports this function, the digitalization of crisis alert processes, and the training and awareness of critical personnel.

From 2020 and 2021, more than **90% of employees performed their duties in telework mode** without any major incidents; more than 90 global crisis committees were held and drills were conducted at regional and global level. A very high level of coordination between the different areas and business units was demonstrated, a factor which, together with others, gives the Company a very high degree of maturity in relation to its ability to react to critical events.

During 2021, based on data on the evolution of the pandemic and vaccination in society, the Group developed **new return to normality strategies**,

adapted to local circumstances, which progressively evolved. This allowed social interaction to be restored at the physical locations, ensuring the safety and health of our employees and customers.

Meanwhile, the Telefónica Group played a key role in society as a whole from the point of view of securing communications. This fact was recognised and valued by various entities and bodies in all the countries where the Company is present.

The events discussed in the crisis committee are detailed below:

Events discussed in the crisis committee

CHILE (LOCAL) January 2021

Description	Early Warning Fires Northern and Southern Chile
Type of crisis	Fires
Impact	In Chile, forest fires affect thousands of hectares of forest, causing many fires in the north and south of the country. It is necessary every year to carry out an exhaustive analysis and monitoring during the months of January and February as the spread of these can put at risk both our internal and external personnel and our internal and external plant and customer infrastructure. There was no impact of any kind on people. Possible impact on "internal and external plant" infrastructure affecting the operation.
Actions	Crisis committee activated on 15 January 2021 This Crisis involved a team of 18 collaborators, working for 3 days The working groups to be activated were designated according to the crisis management plan, Fixed Members, ad-hoc members, one leader per working group: Network, People and Resources, Commercial, Operations and IT. Information on respirator kits that are available in the area was sent to find out what is available. Coordination was made with Security and RED to change the guard at El Belloto, in order to make it available as an emergency camp and send all the necessary kits with respirators and elements. A call was made to the employees who are in the fire zones to check if they are all right. Through Fact24 Respirator kits have been sent and are available in the area The measure of non-suspension of defaulting customers was applied. (Soft delinquency) Due to the control of the spread of the fires affecting the north and south of the country, at the request of the commander on duty, the Early Warning is closed on 18 January 2021

BRAZIL (LOCAL) April 2021

Description	Unavailability of some sales and call centre systems and services due to IT network failure
Type of crisis	IT Network Failure
Impact	Operational impact for customer service in call centres and shops.
Actions	Crisis committee activated on 20 April 2021. This committee is composed of a multidisciplinary team from the areas of Call Centre, ATC, IT, Regulator, Communication. Systems were not available at the beginning of the activation. Working groups were held to identify root causes and contingency activations in order to mitigate impacts. With the activation of the contingencies, the systems were restored and the incident was closed. Duration of the event (DD hh:mm): 00 03:11

CHILE (LOCAL) April 2021

Description	Cyber-attack - REMEDY DB THEFT
Type of crisis	Cyber-attack
Impact	Significant dissemination in the media and social networks, which caused uncertainty and doubts on the part of Telefónica Empresas' customers, in relation to the content of the information exposed and which the actor could possibly have (sensitive and internal customer data). Reputational damage due to possible exposure of sensitive and internal information of Telefónica Chile and its customers. Possible leakage of customer or employee data of Telefónica Chile.
Actions	<p>Crisis committee activated on 22 April 2021</p> <p>Working groups are activated (IT/Digital Security/Network/Business/Communications/Legal)</p> <p>An action plan is defined with 29 points to be implemented, such as: Restriction of internet access to Remedy of Telefónica Chile, Change of password of user accounts in database applications and servers involved. Maintain active monitoring of social media and internet through the Cyberthreats platform. Work was carried out to generate communications to corporate customers to contain the impact and uncertainty that the news may have generated. An analysis was made of 1 million tickets and tickets with sensitive information from 87 customers were identified, all customers were contacted and the corresponding account and/or password changes were made preventively, there were no customers with complaints or escalations due to service disruption.</p> <p>After the containment measures and action plans, the crisis committee was closed down on 29 April 2021 and three lines of action remain at the time of closure: two legal actions are ongoing. Any potential threat to the organisation is continually monitored. A comprehensive strengthening plan is defined, consisting of 40 initiatives to be worked on jointly by Telefónica Tech Chile, Digital Security Chile and the Telefónica Chile Business Department.</p>

BRAZIL (LOCAL) May 2021

Description	Unavailability of storage infrastructure resulting in unavailability of several applications
Type of crisis	Storage infrastructure
Impact	Operational impact on services to customers, field technicians and shops.
Actions	<p>Crisis committee activated on 17 May 2021.</p> <p>This committee is made up of a multidisciplinary team from the areas of Call Centre, Technical Customer Service (ATC), IT, Regulator, Communication, field team, digital channels, legal, financial, etc.</p> <p>Root cause identification workshops were held, a physical failure was identified, corrected and systemic applications were re-established.</p> <p>Duration of the event (DD hh:mm): 00 03:50</p>

TGS (LOCAL) 22 June 2021

Description	Impact on Services due to an Earthquake of 6.0 at 33 km SW of Mala, Cañete - Lima
Type of crisis	Earthquake
Impact	<p>This earthquake had an impact on the following services:</p> <p>Fixed internet:</p> <ul style="list-style-type: none"> • 2 DSLAM affected • 17 HFC connection boxes affecting 3,700 customers <p>Mobile services:</p> <ul style="list-style-type: none"> • 2G, 3G and 4G service outages <p>Other impacts</p> <ul style="list-style-type: none"> • Traffic degradation CMTS MALA • Huanuco-Cañete radio link down • Media Networks reports a misaligned TV antenna. <p>Concerning the quality of services</p> <ul style="list-style-type: none"> • It is verified that VoLTE performance is being normalised, currently at approx. 86%. • Performance degradation at power plants. <p>There was no reputational or regulatory impact.</p> <p>There was no impact of any kind on people.</p>
Actions	<p>Crisis committee activated on 22 June 2021.</p> <p>The crisis committee evaluates the corrective actions and defines activities to be carried out by IP Networks, Fixed and Mobile, Engineering, NOC, Physical Security, Media Networks and Communications.</p> <p>The crisis committee authorises the publication of informative notes through the authorised channels.</p> <p>Technical teams carry out service recovery work by switching, repairing and reconfiguring services.</p> <p>The disruption lasted 4 hours and 37 minutes, after which the crisis committee declared the crisis to be over.</p>

BRAZIL (LOCAL) September 2021

Description	Unavailability of the Attention platform
Type of crisis	Failure on the service platform
Impact	Partial impact on operations: Field service and call centre.
Actions	Crisis committee activated on 20 September 2021. This committee is made up of a multidisciplinary team from the areas of call centre, ATC, IT, Regulatory, Communication, field team, digital channels, legal, finance etc. Communication guidelines were defined during the committee. Working group discussions were held to restore the platform and normalise services. Duration of the event (DD hh:mm): 00 03:18

TGS (LOCAL) 25 June 2021

Description	Due to the migration process from TGS to O365's Hybrid Identity model, because of a human error, Office 365 was unavailable on 25 November
Type of crisis	Failure in the service platform
Impact	This incident has a local impact on the entire Telefónica Global Solutions company. At 5:15 p.m. the unavailability of Microsoft Office 365 is detected, with no access to any O365 service. 1,114 users were affected.
Actions	Following the activation of the crisis management process, the affected assets and users are reviewed. Communication made to those affected. A problem is identified in the AD Connect connector. A solution is applied systematically to the affected environment, bringing the incident to an end.



MILESTONES

- Implementation and improvement of the security management process throughout the entire life cycle of the providers.
- Review and reinforcement of security measures related to remote access and teleworking.

2.15.4. Cross-cutting Privacy and Security Issues

2.15.4.1. Internal Control

In order to address and comply with the legal provisions of the countries related to local data protection and privacy laws and regulations, within the 2021 Annual Plan, a total of 11 specific audits were conducted to verify compliance, as well as the identification of **best practices in data protection issues**.

The most relevant aspect in European operators, which are affected by the new data protection legislation (GDPR), has been to review the implementation of the Governance Model, as well as the **data processing** corresponding to year 1 of the GDPR audit cycle. In the rest of the countries affected by local data protection laws, the most important aspects reviewed were: verification of the application of security measures in the processing of personal data, verification that the integrity and quality of the information is ensured, and verification that the consent of users has been obtained for the processing of their personal data.

The Annual Plan has also promoted auditing work related to cybersecurity and security in Networks and Systems, with the aim of validating mainly the **security of remote access to the infrastructure** and its security configuration (bastioning), as well as the resistance of the technological perimeter to incidents due to the exploitation of vulnerabilities. Another objective, related to the infrastructure configuration, is to review the stored information to ensure that it is sufficiently secured in terms of access permissions and profiles to prevent tampering or unauthorised deletion.

During 2021, 55 tasks of this nature were carried out.

2.15.4.2. Training and awareness-raising

During 2021, 67,880 attendees completed training on privacy, data protection, security and cybersecurity. A total of 81,460 hours of training were provided.

In addition, we have been reinforcing communication and awareness-raising programmes on different channels to ensure that messages reach all corporate levels and locations.

2.15.4.3. Stakeholder relations

Telefónica actively participates in various international organisations and forums, most of which are multi-stakeholder bodies. In 2021 the following were notable:

Internet Governance Forum (IGF)

We are members of the Multi-stakeholder Advisory Group (MAG) and have continued to advise the Secretary General on the development of the Forum's agenda and meeting schedule.

In 2021 we participated in the 16th edition of the IGF, organised by the United Nations and hosted by the Government of Poland, under the theme 'United Internet'. Inclusion and Human Rights as well as **universal access and relevant connectivity** have been addressed as main areas of focus.

We were particularly active in the sessions on Governance in AI: automated and human-centred decision-making and in the debate on 'Breaking down barriers to connectivity'.

Internet Governance Forum in Spain:

In 2021 we participated in the organisation of the Spanish edition of the IGF. This year, under the slogan 'Internet unites us. The network as an engine of transformation, recovery and sustainability', different issues were addressed such as **European regulation of platforms**, trust in the digital ecosystem, environmental sustainability and climate change.

Global Network Initiative (GNI)

We have participated in this multi-stakeholder organisation since 2017 to advance the protection and promotion of **freedom of expression and privacy**. To this end, joint strategies and positions are agreed on topical issues related to content moderation, intermediary liability, network shutdowns or jurisdictional tensions.

During 2021 we participated in initiatives related to COVID-19's impact on privacy and freedom of expression, such as the Latin America research report. Meetings and positioning related to current issues have also taken place in different countries around the world, from Canada to Pakistan or the European Union.

Council of Europe

We have been a member of the partnership between digital companies, operators, industry organisations and the Council of Europe since its inception in 2017 to cooperate on the development of recommendations and proposals related to technology and Human Rights in democracy and the rule of law.

During 2021, Telefónica actively participated in the work and events on artificial intelligence, particularly in the Ad hoc Committee on Artificial Intelligence (CAHAI), where a proposal for a mandatory legal framework on artificial intelligence based on the standards of the Council of

Europe in the field of human rights, democracy and the rule of law has been drafted.

Internet & Jurisdiction

We cooperate with this multi-stakeholder organisation, which focuses on the tensions posed by the cross-border and global nature of the Internet and national jurisdictions. This organisation facilitates a structured dialogue between academics, representatives of the public and private sector as well as civil society to improve transnational cooperation by developing interoperable legal models.

During 2021 we contributed to the report on data sovereignty, 'We need to talk about data'.

Cybersecurity Tech Accord

Telefónica is a founding member of this private sector initiative. It is a joint effort of more than 160 companies from around the world whose main objective is to protect Internet users against the growing evolution of cyberthreats. **Consumer awareness and 'cyber hygiene'** are two of the tasks on which the organisation focuses its efforts. The Tech Accord is unique in its aim to accelerate the implementation and improvement of cyber security globally, through the participation of businesses, governments and individuals.

The Cybersecurity Tech Accord was an early supporter of the Paris Call for Trust and Security in the Cyberspace, a forum launched in 2018 by French President Emmanuel Macron, which was a major call for businesses, governments and citizens to stand together in the face of new threats to citizens and infrastructure. Since then, its supporters have grown to include more than 1,000 entities, 79 of which are governmental organisations.

OECD

We are a member of 'Business at the OECD', as Deputy Chair of the Digital Economy Committee.

During 2021 we continued to collaborate with the Artificial Intelligence Group of Experts (AIGO), on blockchain, and on the review of broadband recommendations published in 2021. We have also participated in other projects such as the report on Government Access to Personal Data of Private Companies, or others such as those related to the future of telecommunications networks, regulators and spectrum management.

EU Expert Group on B2G Data Sharing

We participate in the European Commission's expert group on Business-to-Government (B2G) data sharing.

The European AI Alliance

Our Chief AI & Data Strategist is a member of the European Commission's European AI Alliance, a platform for open discussion on artificial intelligence issues and their impact.

Centre for Information Policy Leadership (CIPL)

We are part of the CIPL organisation, an international think tank based in Washington D.C., Brussels and

London that works with industry leaders, regulators and policy makers to develop global solutions and best practices in the field of privacy and responsible use of data in the new digital environment.

2.15.4.4. Main indicators

GRI 418-1

Summary of key indicators on Privacy and Security

	2020	2021
Number of attendees on training courses in data protection and cybersecurity	80,222	67,880
No. of hours of training in Data Protection and Cybersecurity	105,700	81,460
Number of open procedures by data protection issues	61	68
Number of fines for data protection issues	15	24
Sum of fines (euros) for Data Protection issues	328,594	436,714
Number of confirmed fines for data protection issues as a result of a security breach or incident (physical or cybersecurity) affecting personal data of customers, employees or others.	0	0
Number of enquiries/complaints on Data Protection/Privacy issues in the Responsible Business Channel	15	9
Number of queries/complaints on Freedom of Expression issues through the Responsible Business Channel	0	2
Number of internal audits in data protection and cybersecurity	75	66
Total number of relevant Information Security / Cybersecurity incidents classified as serious	1	3
Number of Severe Security Breaches with impact on customers	0	1
Number of customers affected by data breaches	0	157,217

2.16. Responsible supply chain management

KEY POINTS

-  We require 100% of our suppliers to operate with stringent sustainability standards similar to our own.
-  We engage with our key suppliers on specific topics (scope 3 emissions, occupational health and safety standards, etc.) in order to join forces to achieve our targets.
-  We collaborate with other telcos in industry initiatives to enhance our positive impact in the sustainable transformation of the ICT supply chain as a whole.

2.16.1. Vision

GRI 103, 102-9, 308-1, 414-1

Telefónica has set **ambitious sustainability targets**, whether in relation to reducing CO₂ emissions, promoting decent working conditions or designing sustainable digital solutions. In order to meet them, **we cooperate closely with our suppliers** on these issues. That is why we see them as **partners** in our common journey towards a **more sustainable economy**.

To build trusting relationships with our suppliers, we have developed robust policies and processes with a dual purpose. Firstly, to jointly **identify potential sustainability risks** common to our supply chain in order to address them effectively. Secondly, to **collaborate proactively on key issues** (e.g. CO₂ emissions) to turn the ICT supply chain into a driver of sustainability. This dual approach is designed to ensure that we can offer our customers **products and services** that not only have a **positive impact** on society and the planet, but which have also been **developed in a responsible manner**.

2.16.2. Governance

GRI 103

Sustainable Supply Chain Management is part of the **Responsible Business Plan**, which is led by the Board of Directors. The **Sustainability and Quality Committee of the Board of Directors** supervises its implementation and monitors its goals.

2.16.3. Policies

GRI 103, 102-9, 308-1, 414-1

Our key policies and standards related to responsible supply chain management are:

- Supply Chain Sustainability Policy.
- General conditions for the supply of goods and services.
- Low Carbon Procurement Instruction.
- Human Rights Policy.
- Global Privacy Policy.
- Global Security Policy.
- Occupational Health, Safety and Well-being Regulation.
- Global Environmental Policy.

2.16.4. Risks and opportunities

GRI 103, 102-9, 407-1, 408-1, 409-1

The **main sustainability risks** in our supply chain are **labour conditions, environmental impacts and data privacy and security**. Failure to adequately address these risks can result in negative impacts not only for society and the planet, but also in terms of business disruption along our supply chain. In other words, if supply chains are sustainable, the various risk types can be better identified and therefore disruptions due to pandemics, natural disasters and other geopolitical events are more likely to be avoided.



[Go to chapter 1.4 Materiality](#)

Our approach is to **turn these risks into opportunities** by **working closely** with our suppliers. In doing so, we can create **efficiencies** and, for example, reduce the costs of materials, energy and transport. We can also increase labour productivity by ensuring decent working conditions in our supply chain. Finally, we can **innovate together** in the face of changing markets and meet the growing demand for sustainable solutions in the transition to a more sustainable economy.

2.16.5. Strategy and commitments

GRI 103, 102-9, 407-1, 408-1, 409-1

Telefónica's purchasing strategy is based mainly on:

- **Global management** by Telefónica Global Services, an organisation comprising a team of buyers specialised by product/service category. This team leads the negotiations of products and services that require more technical knowledge and are more critical for the business, with a high knowledge of the market and a focus on capturing synergies.

Coordination with the operators is articulated through the local procurement teams in each country, making it possible to anticipate demand and supervise the execution of contracts and supplier performance.

- **Internal efficiency** through the optimisation of procurement processes and systems, and thus from process simplification initiatives and evolution of support systems.

This is complemented by a **commitment to innovation and sustainability** present throughout the entire process of our relationship with our suppliers and developed through our sustainable management model, which is based on generating a positive impact, favouring economic and social development based on digitalisation.

As part of our management model, we pay special attention to issues associated with the supply chain that have a **high social and environmental impact** and which are **significant** for **both the sector** and the **company's strategy**, and in particular:

Our commitments according to the key sustainability aspects in our supply chain

Aspect	Our commitments	More information on how we manage this at:
Eradication of child/forced labour	We contribute to their eradication through specific projects focused on the protection of the human rights of minors (e.g. on-site audits of high-risk suppliers). We address local reporting and transparency requirements in this area, such as the Modern Slavery Statement published annually in the UK.	2.16.5.1. Risk management, 2.16.6.1. Risk management in 2021, 2.16.6.2. Engagement in 2021 and 2.8. Human Rights
Working conditions	We promote decent working conditions among our suppliers, especially in labour-intensive services (contractors and subcontractors).	2.16.5.1. Risk management 2.16.6.1. Risk management in 2021 and 2.16.6.2. Engagement in 2021
Occupational health and safety	We encourage best practices in health and safety with our suppliers to achieve #zerofatalities..	2.16.6.1. Risk management in 2021 and 2.16.6.2. Engagement in 2021
Conflict minerals	We work to strengthen controls on the use of such minerals across our entire value chain.	2.16.6.2. Engagement in 2021
Waste management	We work together with our suppliers in the digitalisation of our waste management to improve traceability and to leverage the opportunities offered by the circular economy.	2.3. Circular economy
CO ₂ emissions - scope 3	We work on managing emissions in our supply chain both globally and locally.	2.16.6.2. Engagement in 2021 and 2.2 Energy and climate change
Data privacy and security	We work with our suppliers, focusing particularly on those who have access to our customers' data, to ensure compliance with applicable regulations and security requirements.	2.15. Privacy and security

In doing so, we continue to rely on a company-wide **common procurement model**. This 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.

Our suppliers have all the information available on our Supplier Portal.

In accordance with international standards such as ISO 20400 and the OECD Due Diligence Guidance for Responsible Business Conduct, we base our sustainable management model on risk mitigation and trusting relationships with our suppliers.

Our approach

Sustainable supply chain management



Our approach is based on two pillars:

- Risk management
- Engagement with suppliers

2.16.5.1. Risk management

GRI 103, 102-9, 102-29, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2

> Step 1. Minimum standards required

We require 100% of our suppliers to conduct their activities while applying ethical standards similar to ours. This ensures respect for core human rights and labour rights, as well as the protection of the environment.

Therefore, **all Telefónica suppliers must accept** the following when they register and/or renew the following on the Supplier Portal:

- Supply Chain Sustainability Policy.
- General conditions for the supply of goods and services.
- Anti-corruption policy (certified).

Prior acceptance of these minimum conditions means that successful suppliers are evaluated in relation to the social and environmental impacts set out in our regulations.

SUMMARY OF OUR MINIMUM RESPONSIBLE BUSINESS CRITERIA

- Zero corruption and conflicts of interest.
- Respect for human rights.
- Zero child labour.
- Fair treatment of employees.
- Freedom of association.
- Zero tolerance of forced labour.
- Diversity, gender equality and non-discrimination.
- Zero tolerance for violence and harassment at work.
- Health and safety.
- Minimum environmental impact.
- Waste management.
- Reduction of single-use plastics.
- Management and reduction of hazardous substances.
- Fewer emissions.
- Eco-efficiency.
- Responsible sourcing of minerals.
- Privacy, confidentiality of information, freedom of expression and artificial intelligence.
- Management of the supply chain.

> Step 2. Identification of high-risk suppliers

We focus on our main suppliers according to their level of risk and impact on our business, given the volume of purchases awarded.

In accordance with our **risk analysis** methodology, we undertake the following process to analyse the overall sustainability risk of our individual suppliers:

First criterion: An initial assessment of the possible risk level given the products/services supplied to us and based on the following specific sustainability aspects in our supply chain, as set out in our **Minimum Responsible Business Criteria**: labour conditions, health and safety, environmental, human rights (child/forced labour), conflict minerals, privacy and data protection and customer promise.

Second criterion: An analysis of the potential risk is then performed taking into account the **origin of the service or product** (and its components). In this analysis, we have also incorporated the impact of potential risks associated with the current pandemic by country of origin.

Third criterion: Finally, we assess the potential **reputational impact on Telefónica**, should the risks analysed materialise.

This three-step analysis allows us to identify potential high risk suppliers in our supplier base from a sustainability perspective.

> Step 3. Evaluation of our high risk suppliers' performance

We check the possible risks associated with our potential high-risk suppliers identified in the aforementioned analysis. Our buyers in the different countries consult two online tools on the purchasing platform:

EcoVadis

We conduct a 360° **evaluation** of our main high-risk suppliers based on 21 **sustainability criteria** that cover ethical, social, environmental and supply chain management aspects, including conflict minerals.

Performance-based actions

Performance Sustainability	Action
LEADING	<ul style="list-style-type: none"> Collaborate with the supplier to identify possible improvements or sharing of best practices.
ADVANCED	
MODERATE	
PARTIAL	<ul style="list-style-type: none"> Request a commitment from the supplier to implement an improvement plan in the coming year, with the aim of exceeding 44 points.
INSUFFICIENT	<ul style="list-style-type: none"> Preventive blocking of the supplier in the purchasing system. Report and agree an improvement plan with supplier.

Dow Jones Risk & Compliance Service

We check our supplier database against Factiva, the database drawn up by Dow Jones Risk & Compliance. This check is carried out in both the supplier registration process and annual renewal. Thanks to this tool, we can **identify possible risks related to ethical behaviour and corruption**, thus reinforcing processes already in place for compliance with our Anti-Corruption Policy.

We identify the potential ethical and corruption risks of 100% of our suppliers when they register on our procurement platform.

If a supplier does not reach the **required level** —in EcoVadis or in the Dow Jones Risk & Compliance service— or is unable to provide the information requested, we require their **commitment to implementing improvement plans** to ensure compliance with our standards.

In extreme cases, when this is not feasible, all additional business with the supplier is **blocked** until they prove they have corrected the situation, as stated in the terms and conditions signed by both parties.

> Step 4. Audits of high-risk suppliers

The performance assessments are complemented by our **annual audit plan** to verify **compliance with the critical aspects identified** according to (i) type of supplier, (ii) service and product provided, and (iii) the risks of each region or country.

The audits include improvement plans agreed with 100% of the suppliers who do not comply with any of the aspects that may have a negative social or environmental impact.

2.16.5.2. Engagement with suppliers

GRI 102-9

We strive to understand the relevance of **material issues** for our suppliers, as well as their perception of Telefónica's performance in relation thereto.



[Go to chapter 1.4 Materiality](#)

Telefónica is firmly committed to an **open and collaborative relationship** with its suppliers. Our commitment to them is based on establishing relations that enable us to have a joint positive impact on our surroundings through close collaboration and the sharing of good practices, fostered through different initiatives and meetings with our suppliers.

One example is the management of our third-party collaborating companies through the **Allies Programme**. This way of forming relationships has allowed us to foster a culture of sustainability, raising awareness among suppliers about compliance with our standards, while at the same time we jointly establish mechanisms for early

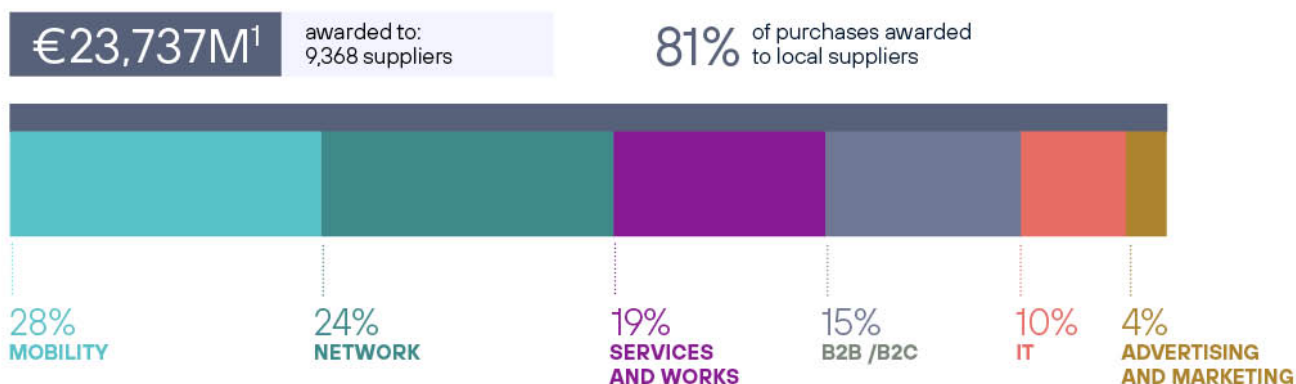
detection and prevention of possible risks in our contractors and subcontractors (most of them in direct contact with our customers).

Targets

- 100% of high-risk suppliers assessed in EcoVadis before 2024.
- Promote audits of Tier 2, 3, etc. suppliers in ICT supply chain through cooperation with direct suppliers within the JAC sector initiative.
- Promote participation of SMEs in specific procurement processes in order to strengthen our positive impact on local economies.
- Improve due diligence by our suppliers through a proactive engagement with them to avoid the indirect sourcing of minerals from conflict zones and/or mines with risk of human rights violations.
- Reduce CO2 emissions in our value chain (Scope 3) by 39% in 2025 compared to 2016, and achieve net zero emissions in 2040.

Impact of our business on society

Volume of purchases awarded %/Total



(1) Agreements negotiated in Procurement with impact in 2021.

2.16.6. Progress in 2021

GRI 103, 204-1

As explained above, our approach is based on the following two complementary pillars: Risk management and supplier engagement. What did we do in 2021?

2.16.6.1. Risk management in 2021

GRI 103, 102-9, 102-29, 308-1, 308-2, 403-7, 407-1, 408-1, 409-1, 414-1, 414-2

In 2021, **100% of our suppliers accepted the minimum standards** set out in our Supply Chain Sustainability Policy (**step 1**).

Based on our **global risk analysis** of suppliers awarded in 2021, we identified **810 suppliers** that provide us with products or services classified as **potentially high risk** from a **sustainability perspective**. In 2021, we implemented an adjustment to the analysis methodology in order to focus on those suppliers with a significant impact on the business as well as on the Company's strategy (**step 2**).

Of these identified suppliers, **71%** have been externally **evaluated on sustainability aspects** through EcoVadis (including those that are in process, pending analysis of the information provided).

Over the past year, the participation of our SME suppliers in the performance evaluation process through EcoVadis needs to be highlighted. The platform features questionnaires adapted according to the activity and size of the organisation assessed, as well as sharing of good practices and improvement plans that also help us to promote sustainability among smaller companies.

Key indicators of our evaluations

- **65 suppliers (business groups)** with **corrective action plans**, totalling 885 actions (61% of them completed by the date of publication of this report).
- **84%** have **anti-corruption and anti-bribery policies**.
- **65%** have a **Sustainable Procurement Policy**.
- **72%** have **ISO 14001 certification** for environmental management.
- **61%** report their **energy use** and **GHG emissions**.

According to information available at the close of this report, **9 suppliers** were **blocked** in our database for reasons of **lack of compliance with ethical or sustainability aspects** (i.e. 100% of the suppliers identified as non-compliant - be it for social or environmental reasons - that have not yet remedied the situation or shown their commitment to implementing improvement plans to ensure compliance with our standards) (**step 3**).

In addition, we complement the risk management of our suppliers with audits that allow us to verify their level of compliance with the different sustainability aspects that we require of them, including respect for human rights.

In 2021 we conducted **17,960 administrative or on-site audits**. Given the results obtained in these audits, at the end of the year we had **610 suppliers with improvement plans** (7% of those awarded) — (**step 4**).

See breakdown of audits by theme in the table below.

Details of the Annual Audit Plan

Supplier type	Region/ country	Audits and improvement plans	Audited risk aspects							Security, privacy and DP
			Ethical	Working condition s	Health and Safety	Supply chain managem ent	Human rights(chi ld/forced labour)	Conflict minerals	Environmen t	
ALLIES PROGRAMME Labour-intensive collaborator companies.	5 countries in Latin America ⁽¹⁾ and Spain	LOCAL • 7,069 administrative audits. • 10,190 on-site audits. • 256 suppliers with improvement plans.		✓	✓		✓			
	Brazil, Colombia and Spain	CORPORATE • 31 on-site audits. • 26 suppliers with improvement plans.	✓	✓	✓	✓	✓		✓	✓
JAC INITIATIVE Manufacturing centres in the ICT sector.	14 countries in Asia, Latin America and Eastern Europe	• 60 on-site audits: 62% on TIER 2 or 3 suppliers. • 50 suppliers with improvement plans.	✓	✓	✓	✓	✓	✓	✓	
OTHER LOCAL AUDITS⁽²⁾ Due to risks associated with the product or service.	Brazil and the United Kingdom	• 170 administrative audits. • 135 suppliers with improvement plans.							✓	
	Brazil, Colombia, Ecuador and Mexico	• 17 on-site audits. • 4 suppliers with improvement plans.								
	Brazil, Ecuador, UK and Germany	• 312 on-site audits. • 60 suppliers with improvement plans.			✓					
	Argentina, Brazil, UK and Germany	• 107 on-site audits. • 77 suppliers with improvement plans.								✓
	United Kingdom	• 2 on-site audits.		✓						
		• 2 on-site audits. • 2 suppliers with improvement plans.	✓	✓	✓	✓	✓		✓	
									Social	Environmen tal
Total audits per aspect									17,666	280
Suppliers with improvement plans									394	217

(1) Argentina, Brazil, Chile, Colombia and Venezuela.

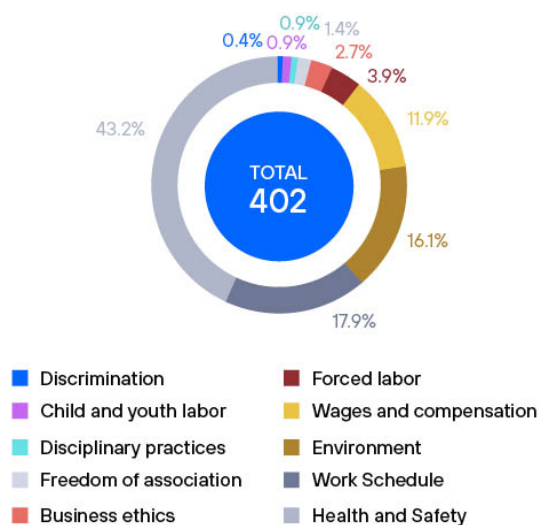
(2) Includes only audits carried out by the United Kingdom from 1 January 2021 to 31 May 2021.

The decision on how to conduct on-site audits has always been subject to compliance with local mobility restrictions by COVID-19 and to ensuring at all times the health of the people involved in the process.

> Details of JAC audits (product manufacturers)

In total, 402 corrective action plans were developed as a result of the 71 audits carried out by the Joint Audit Cooperation (JAC) sector initiative in 2021 (60 of the audits were at Telefónica suppliers). The following graph shows the breakdown of these plans by topic.

Corrective action plans in 2021



The following table provides additional information on the four audited aspects with the most corrective action plans raised in this audit campaign.

Aspect	Non-compliance	Corrective actions	Status at year-end 2021
Health and safety	Some emergency exits not properly functioning/ installed.	Emergency exits can now be passed appropriately (i.e. doorways open outwards, that is, away from the room).	Closed
	No proper personal protective equipment used where required to control safety hazards and worker exposure.	Training to workers on proper use of personal protective equipment as well as supervision mechanism installed so that workers use them where required.	Closed
Working hours	Workers' overtime hours exceeded local legal requirements and their weekly working hours exceeded 60 hours.	Workers' overtime hours now in compliance due to corrective actions taken (reasonable production plan and work plan, signing of overtime hours by managers).	Closed
	Workers not ensured with one day off after six consecutive working days.	Workers now ensured one day off after six consecutive working days (better monitoring by managers, reasonable production plan and work plan).	Closed
Environment	No identification of opportunities/ measures to reduce greenhouse gas emissions and setting of corresponding reduction targets.	Development of energy savings plan with concrete measures and emissions targets.	Closed
	No systematic approach implemented to prevent pollution of stormwater runoff and illegal discharges and spills into the storm sewer.	Implementation of a management system for stormwater and wastewater discharge and daily maintenance.	Closed
Wages and Compensation	No regular review of workers' wages to ensure that living wage is being paid.	Completion of regular surveys/ reviews with workers to guarantee living wages	Closed
	Insufficient social insurance provided to workers.	Social insurance now provided to all workers.	Closed

> Details of corporate audits within the Allies programme (labour-intensive services)

We have maintained our high standards and focus our audit process within the Allies programme on three of the highest-risk countries (Brazil, Colombia and Spain). Throughout 2021, **we audited 31 labour-intensive suppliers**. As in previous years, a high level of compliance was achieved, above 86% in the following four areas being audited - responsible business principles, human

resources, health and safety, and environment. These results reflect the good work carried out by our Allies, despite the uncertainty generated by the pandemic.

If we consider the average number of risks per topic identified in each of the countries, the **health and safety** section is the one with the highest number: the risks are mostly related to the industrial hygiene and safety sections, identification of legal requirements according to the activities carried out, and verification.

Regarding the **human resources** section, the most common risks have been detected mainly in compliance with the required percentage of staff with disabilities, lack of a work climate measurement programme, mechanisms for development of leadership skills, and formally established, non-monetary, recognition programmes.

In **environmental** processes, the most common risks were related to the environmental management system and on waste management.

Taking into account the potential social or environmental⁽¹⁾ impacts of the risks identified, the most significant issues were as follows:

- The most significant social impacts are mainly concentrated in the verification, industrial hygiene and safety, and implementation and operation sections.
- Meanwhile the environmental impacts are in the noise section.

(1) Significant social or environmental impacts are considered to be critical non-conformities identified during audits in each area.

> Tier 2, 3 supplier management

Our supply chain management goes beyond our direct suppliers.

At the end of 2021, in **Spain**, we launched the **Integral Prevention and Sustainability Project** aimed in this first phase at 95 Tier 2 suppliers. Through this initiative, we aim to assess and recognise the performance in prevention and sustainability – with a special focus on aspects related to **occupational risk prevention** – of the main subcontractors that collaborate with our contractors in the deployment and maintenance of our network. In this first phase, the project has an impact on the 1,472 employees of these subcontractors who provide us with these services.

In addition, under the framework of the **JAC initiative**, we put special focus on carrying out audits of manufacturers that supply components and/or equipment to our suppliers. In 2021, **62% of the audits were conducted at Tier 2 or 3 suppliers.**

2.16.6.2. Engagement in 2021

GRI 102-9, 403-7

For yet another year, we promoted new capabilities among our suppliers to improve their performance on key sustainability-related issues.

> Emissions in the supply chain

We work on emissions management in the supply chain, both globally and locally. Globally, we continued for another year with our **climate change partnership programme** with key suppliers to understand the state of their climate strategies and help them set more ambitious emissions reduction targets. In this vein, we invited the most significant suppliers in terms of emissions to the

CDP Supply Chain programme. Locally, our operation in Brazil implemented its own collaboration programme with 115 suppliers, representing 90% of its supply chain emissions.

We continue to participate in initiatives such as **1.5°C Supply Chain Leaders** to reduce CO₂ emissions from small and medium-sized suppliers, and in the **climate change working group of the JAC initiative.**

Telefónica has joined The Climate Pledge, pledging to achieve carbon neutrality by 2040 – a decade ahead of the date set in the Paris Agreement.



[Go to Chapter 2.2. Energy and climate change](#)

> Labour Conditions

In the new **Living Wage Working Group within the JAC initiative**, we are working to ensure a living wage in the ICT supply chain. Through the JAC protocol, which we apply to all audits conducted under the initiative, we ensure that suppliers pay a **fair and reasonable wage** to employees that is high enough to maintain a **decent standard of living.**

Also, **under the JAC initiative**, we collected **direct feedback** from 21,582 **employees** at 17 supplier factories through an **anonymous survey** on their own mobile phones. Thus, we evaluated issues related to working conditions, especially in matters concerning the number of hours worked, rest periods, harassment, discrimination, treatment and relationship with their direct manager, overtime, treatment of chemical materials, etc.

> Human Rights

We are part of the **Human Rights Working Group created in 2021 within the JAC initiative** to promote respect for Human Rights throughout our **value chain.** Together we analyse new regulations and trends that may have an impact on our suppliers, and implement initiatives to counteract potential risks in the ICT supply chain.



Supplier Development Programme

We regard our suppliers as partners and help them to meet our high sustainability standards. As a sign of this commitment, since 2019 we have been part of the Supplier Development Programme – together with other telecommunications operators – a training programme for key suppliers that goes beyond an audit.

The objective is to accompany the supplier for two years in order to improve its sustainability performance.

By participating in this programme, suppliers have been able, for example, to reduce worker turnover and workplace accidents in the factories, as well as improve employee satisfaction and productivity rates.



[Go to chapter 2.8. Human Rights](#)

> Responsible sourcing of minerals

Although we do not have direct business relationships with smelters or refiners, we work actively to strengthen control over the use of these minerals across our value chain.

1. Policy and clauses

Our Minerals Policy is set out in our Supply Chain Sustainability Policy and is based on the OECD Due Diligence Guidance on Minerals. All our suppliers have to accept this policy and therefore commit to responsible sourcing of minerals.

In addition, any supplier that submits an offer to us must meet minimum sustainability **requirements in the supply chain**, which are **set out in the Telefónica Group's General Conditions for the Supply of Goods and Services**. These include a contractual minerals clause whereby we require our suppliers to carry out effective due diligence processes to ensure traceability of 3TG minerals and mitigation of associated risks (such as human rights violations).

2. Identification and management of risk suppliers

A number of resources are available to identify, manage and monitor risk suppliers from a minerals perspective:

- a. We identify mineral risk suppliers according to our risk analysis methodology.
- b. We assess these suppliers' performance via the EcoVadis platform. In 2021:
 - **94%** had a **policy on conflict minerals**.

- **94%** had implemented **actions to identify or mitigate the risks**.
- **76%** of them had published a **report on due diligence**.

c. In addition, **we request the submission of the CMRTs** (Conflict Minerals Reporting Template) of the Responsible Minerals Initiative (RMI) **from our key suppliers** in order to **increase transparency** on smelters and refiners used throughout the supply chain. We review supplier responses and define corrective actions plans for identified risks, which are followed up.

d. We also check the compliance of some of our equipment manufacturers with audits within the JAC industry initiative.

3. Commitment initiatives

We support and participate in major international and sector initiatives to reduce this type of risk, such as:

- a. **Responsible Minerals Initiative (RMI)**: our activities regarding smelters and refiners are supported by industry initiatives such as the RMI, in which audits are performed, best practices shared and stakeholder dialogue promoted.
- b. **Public-Private Alliance for Responsible Minerals Trade (PPA)**: we participate in the PPA, a multi-sector, multi-stakeholder initiative that improves conflict-free mineral supply chains.

4. Complaints

We have a Concern and Whistleblowing Channel through which our stakeholders can consult us and submit complaints in this regard.

5. Information

We report on the due diligence of the supply chain through different channels (this report, the website, dialogue with stakeholders, etc.).

Furthermore, as a company listed on the New York Stock Exchange, we comply with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

> Occupational risk prevention

Once again this year, we have focused on fostering best practice regarding **safety, health and well-being** in our **supply chain**, with a particular **focus on contractors** who assist us in the deployment and maintenance of the network, activities where the main risks are concentrated (working at heights, electrical risk and confined spaces).

During 2021, in the face of persistent uncertainty caused by COVID-19 among workers, we maintained with our suppliers a series of initiatives we adapted according to the evolution of the pandemic at any given time in different countries:

- **More intensive and targeted communication** aimed primarily at technicians in contracting companies.

- **Inclusion in the usual communication channels** of support information for companies to consider measures to mitigate, for example, the risk associated with teleworking, ensuring actions from the physical (workplace), cognitive (emotional support) and organisational (tools) axes.
- Occupational health and safety **audits** in the countries, in order to verify compliance with the new protocols established for prevention and safety in order to avoid infection.
- **Follow-up** and monitoring of possible infections among our collaborators.

PRL+ Project at Telefónica España

> **What is it?**

Initiative for the coordination of business activities, which seeks to create a community of dialogue, sharing practices, addressing queries, proposals for improvement, etc., on an equal footing between supplier and customer.

> **Targets**

Identify levers that lead to a reduction in the number of detected OHS defects and the volume and severity of workplace accidents - **#zeroaccidents**. Encourage participating companies to conduct audits of their own suppliers.

> **2021 results**

- **100% of the companies met the monitoring target, and some even exceeded it.**
- **Accident frequency rate (in labour) of 1.02, improving on the target of 1.10.**

> **Diversity**

We promote diversity and non-discrimination among our suppliers, as stated in our Policy.

We participate, for example, together with our main **contractors in Argentina, Colombia, Peru and Venezuela**, in the **Mujeres en Red (Women in Network)** initiative. Through it, the aim is to promote the **training and employability of women** with technical profiles in the telecommunications sector, promoting **equal opportunities** in roles where female participation is a minority. This is carried out through comprehensive training, which is both technical and emotional. For example, specific workshops on women's empowerment or unconscious bias, with more than 400 techniques and 2,600 people trained in the 4 countries.

> **Training and communication**

Also, complementing the training of our buyers and internal contract managers, we maintained our **supplier training and communication channels** with our **suppliers** for another year.

9,134 in-person courses and 203,724 online courses involving more than 516,669 participants from partner companies in Latin America.

This training was delivered in-person or online (SuccessFactors, Movistar Academy, ICampus, etc.) for our suppliers, addressing the specific needs in each country and the most critical issues according to the service they provide us with. For example, in **Colombia**, we invite our call centre, loop and commercial agent Allies to take the **digital security course**. This will help us to **keep information secure**, implementing good practices for security in the workplace, creating secure passwords or security in our environment, among other controls. In **Mexico**, we conducted more than 23 sessions with 17 suppliers, where we **trained them in the environmental criteria** they must comply with, with a **special focus on waste management**.

We also promote continuous communication as a key lever to foster their motivation through different channels, such as our quarterly newsletter to Allies, the Allies' Portal and the Supplier's Portal. The Supplier's Portal contains all our global policies, as well as specific local requirements.

Our suppliers have a confidential channel for queries and complaints related to compliance with our Minimum Standards for Responsible Business.

We also organise in-person and online events (global and local) with suppliers, such as:

12th Telefónica Global Energy and Climate Change Workshop

An annual meeting point for leaders of the Company's energy transformation and the main collaborating companies in the field. This is a meeting that reviews and sets out the challenges for the Company in this area. During three working days, multiple initiatives from our different markets were broken down, focused on reducing fuel consumption and the impact of refrigerant gases, on promoting the shutdown of legacy networks or implementation of innovative energy efficiency projects, such as Liquid Cooling, the use of artificial intelligence to optimise energy during off-peak hours or the first Telefónica Forest, among other proposals. In addition, for

yet another year, the Company's **climate change objectives were reviewed**, where the **importance of the work carried out by our suppliers to achieve them** was made clear.



[Go to chapter 2.2. Energy and climate change](#)

10th CSR Forum

As part of the Joint Audit Cooperation (JAC) sector initiative, we took part in the 10th CSR Forum, which connected more than 450 participants (sustainability and purchasing professionals from major telecommunications operators, ICT sector suppliers, CSR institutions, NGOs and researchers). The session explored **regulatory trends, new requirements and best practices** shaping sustainable supply chain management in 2021. This collaboration in the ICT sector aims to create growth and impact in line with growing legislative and consumer demands on **human rights, circular economy and carbon reduction**. Awards were also presented to the companies that have demonstrated the highest commitment, on this occasion, to their own supply chain management.

Supplier Workshop 2021 in Brazil

70 companies participated, with critical activities in emissions. The main theme of the event was climate change management, sharing with our suppliers both our **plan to reduce CO₂ emissions in the value chain** and our commitment to a low-carbon future. We also shared our main policies impacting our supply chain with them, conveying the **importance of sustainability management in organisations**.

Meeting with Allies in Argentina, "from a commercial relationship to a relationship of trust"

As part of our **commitment to ethics and integrity**, the Human Resources, Sustainability and Compliance Areas held a meeting with our suppliers in which **we shared our Integrity Programme and Responsible Business Principles, with a focus on diversity and inclusion**. We could also count on the participation of one of our suppliers who presented his experience in implementing gender equality measures.

Workshop in Argentina on violence and harassment at work

We invited loop contract providers (network deployment and maintenance) to a best-practice-sharing workshop on the challenges of **implementing Convention 190 organised by the ILO on violence and harassment in the world of work in Argentina**. In this way, we are reinforcing the commitment we have with our suppliers to work hand in hand on different issues included in our Sustainability Policy in the Supply Chain.

Summary of key indicators

GRI 204-1, 414-2, 308-2

	Indicators	2020	2021
Activity	Volume of purchases awarded	24,268M	23,737M
	Awarded suppliers	9,038	9,368
	% of purchases awarded locally	77%	81%
Ethics and compliance	Sustainability risk suppliers identified in our global analysis ⁽¹⁾	1,700	810
	% Risk suppliers assessed on sustainability aspects through EcoVadis ⁽¹⁾	68%	71%
	% Suppliers evaluated Dow Jones Risk & Compliance	100%	100%
	Suppliers blocked on grounds of non-compliance with ethical or sustainability aspects	9	9
	Total supplier audits	16,105	17,960
	High-risk suppliers with improvement plans	560	610

(1) In 2021, we implemented an adjustment to the analysis methodology in order to focus on those suppliers with a significant impact on the business as well as on the Company's strategy. However, due to the exercise carried out during 2021 to adapt the exhaustiveness of the calculation, this methodology differs from the calculation carried out in 2020, so comparability between the two exercises is not guaranteed.



MILESTONES

- We continued minimising sustainability risks within the procurement process, with 100% of our suppliers accepting our sustainability standards as part of their contractual obligations, and assessed our high-risk suppliers through an external sustainability assessment (EcoVadis).
- In collaboration with the other telcos in the JAC initiative, we audited 71 companies in the ICT sector and surveyed 21,582 employees in 17 supplier factories, thus working at different levels of our supply chains.
- We reduced 27% of CO₂ emissions from our value chain compared to 2016, with emissions from our supply chain being the most relevant to our Scope 3 (64%).

2.17. Appendix

2.17.1. Telefónica stakeholders

GRI 102-40, 102-42

Telefónica makes accessible and secure networks and services available to people and organisations so that they can express themselves, share, work collaboratively and enjoy... Based on the relationship model that brings us together, we distinguish seven key stakeholders:

1. **Customers:** customers of all our brands, both residential and business, together with all customer-representation bodies.
2. **Employees:** own employees, active and former employees, associations and unions representing workers' interests.
3. **Strategic partners and suppliers:** key companies for the development and provision of our services, as well as supplier companies and bodies and associations representing supply chain interests.
4. **Shareholders and analysts:** Companies that invest in Telefónica and/or analyse its sustainable profitability.
5. **Government entities and regulators:** local, national and international organisations.
6. **Opinion leaders, media and communication services:** influencers, press, communication, brand and advertising agencies.
7. **Society (including communities, NGOs, sustainability organisations, business and consultancy associations):** affected local, regional and national communities, as well as special groups, non-governmental organisations (NGOs), companies, think-tanks, business schools and universities.

2.17.2. Types of involvement and relationship with our stakeholders

GRI 102-21, 102-43

TYPE	DESCRIPTION	TARGET	SAMPLE
Report/publicise	Mainly one-way communication from the Company to its stakeholders regarding practices or new developments by which they may be affected. Sharing information can influence the parties involved, creating trust and demonstrating transparency and a willingness to engage.	Keeping them promptly and regularly informed: newsletters, letters, bulletins, reports, presentations, speeches, videos, reports, interviews and open days...	Transparency.
Consultation	Telefónica asks stakeholders their opinions to identify trends, evaluate impacts, ascertain risks and take decisions. The main information flow is one-way, but has often led to more detailed conversations.	Measure and evaluate: surveys, focus groups, assessments, public hearings, workshops, discussion forums and hot-lines.	Transparencia y escucha: pone en valor los comentarios y puntos de vista de los grupos de interés.
Participation/dialogue	A two-way and/or multi-party conversation in which stakeholders play a more important role in decision-making. The conclusions are implemented and/or referred up through the Company's hierarchy.	In-depth debate: Consultancy Board, established work groups, interviews, research and analysis.	Transparency. Listening Monitoring committee – Collaboration.

Collaborate	Collaboration between two or more parties in an area of mutual interest. The Company and its stakeholders establish synergies and reduce risks by combining resources and areas of expertise.	Active collaboration: establishment of joint committees, joint ventures with stakeholders, alliances, collective bargaining.	Transparency. Listening Commitment. Positive relations based on a common goal.
Empower/engage	Stakeholders have a formal channel to influence the Group's corporate governance and decision-making processes.	Sharing responsibilities: stakeholder representation on the Board of Directors, specific channel for reporting breaches of policy and existence of guarantees.	Effective Engagement: sharing purpose and responsibilities.

2.17.3. Material issues

GRI 103, 102-47

Social capital	Customers and responsible marketing	Quality	Fast networks, good coverage and sufficient bandwidth for the requirements of today's society...). Ensure network stability and reliability of services (speed, connection, etc.).
		Transparency	Easy-to-understand invoices. Same service and attention in all channels (make arrangements, solve problems through any channel).
		Client service	Provide a service that is tailored to our customers' needs, offering good quality at an appropriate price. Ensure consultation and management channels are in place to make customer service fast and easy. Rapid, effective and satisfactory resolution of incidents. Fast, effective and satisfactory resolution of incidents
		Responsible and sustainable marketing	Products and services accessible for all (e.g. people with disabilities, seniors).
		Responsible advertising	Responsible and inclusive advertising.
	Social inclusion	Digital inclusion	Have products and services that are affordable for everyone, including those with fewer resources or in special situations.
		Digital divide	Commitment to deploy the network to reach all people, even in remote places.
		Media literacy (including IT and minors):	Awareness-raising and training for all groups so that they can make use of new technologies. Protect minors from misuse of technology by establishing the necessary controls and raising awareness of the benefits and dangers of technology use.
	Customer privacy	Data protection	Guarantee the privacy and proper use of our customers' data in a digital environment.
	Cybersecurity	Cybersecurity	Cyber-security and personal data protection (create a secure digital environment, put in place strategies to minimise and manage risks).
	Human rights and community relations	Human rights	Promote respect for and promotion of human rights among all stakeholders (including freedom of expression, new digital rights and ethical use of artificial intelligence etc.). Have good channels for consultation and complaints. Encourage dialogue and relations with stakeholders to involve them in management (actions aimed at involving the main agents in our daily management, including alliances, relations with the media, institutions, entities, investors).

Human capital	Work practices	Attraction and retention of talent	Focus on the acquisition, retention and development of talent.
		Fair remuneration	Operate fair and attractive remuneration schemes.
		Freedom of association and equity of the employee	Facilitate freedom of association and employee participation.
	Commitment to employees, diversity and inclusion	Diversity, equality and non-discrimination	Foster gender equality, diversity, equal opportunities and non-discrimination. Take action to prevent and eliminate workplace harassment. Keep in mind the ageing population and its effect on the company (e.g. measures for employees over the age of 50 years).
		Professional development	Train employees to adapt to the new digital environment (make digital tools available to employees to improve their productivity, develop the right skills demanded by today's market, etc.).
		Culture	Internal behaviours, processes and objectives aligned with ethical, environment-friendly and responsible conduct towards employees, customers and society in general.
	Employee health and safety	Employee health, safety and well-being	Offer new, more flexible work methods for employees by facilitating family reconciliation (flexibility, teleworking, digital switch-off outside the office...). Concern for employees' health, safety and well-being.
Business model and innovation	Sustainable products and services (including Eco Smart services)	Sustainable products and services (including Eco Smart services)	Offer new, more flexible work methods for employees by facilitating family reconciliation (flexibility, teleworking, digital switch-off outside the office...). Concern for employees' health, safety and well-being. Products and services to help customers increase their energy efficiency and sustainability.
	Conflict minerals	Conflict minerals	Work with suppliers who do not use minerals from conflict zones.
	Management of the supply chain	Ethical and fair relations with suppliers	Have payment terms and conditions that facilitate the economic sustainability of its suppliers.
		Responsible supply chain and procurement management	Work with suppliers that meet social and labour standards, including health and safety conditions, working hours and decent pay. Have ethical, environmental and human rights standards in place in the procurement process (ethical, anti-corruption, environmental, etc.). Work with suppliers who are climate-aware and reduce their own emissions.
	Resilience of the business model	Local economic contribution and inclusive growth	Development of local suppliers, especially SMEs and local procurement.
		Sustainable finance	Report new financial indicators based on sustainability criteria, encourage the growth of sustainable activities, actively engage with all stakeholders on environmental and social objectives under development.
	Physical impacts of climate change	Physical impacts of climate change	Manage the risks and opportunities associated with the direct exposure of assets and operations owned or controlled by the Company to actual or potential physical impacts of climate change. Understand the environmental and social issues that can arise from operational disruptions due to the physical impacts of climate change.

Environment	Business ethics	Ethics and integrity	Comply with ethical and responsible business practices, including anti-corruption and anti-bribery measures. Promote ethical audiovisual content.
		Governance, accountability and culture	Transparency and truthfulness of information, adequate and accessible to all stakeholders. Maintain a transparent and balanced relationship with Government/Administration. Diversity in the composition of the Board of Directors. Provide accurate and complete information on social and environmental actions.
		Artificial intelligence	Ensure due diligence on systems using artificial intelligence.
	Management of the legal and regulatory environment	Economic, political and regulatory environment	Comply with current legislation and the Company's internal policies and regulations. Tax contingencies and fiscal transparency.
	Competitive performance	Competitive performance	Responsible pressure on stakeholders (lobbying) and anti-competitive practices.
	Systemic risk management	Systemic risk management	Management of the Company in addressing ESG-related risks that could impact stakeholder perceptions.
	Critical incident risk management	Emergency response	Have an action plan in place for maintaining communications in emergency situations (natural disasters or major incidents).
	Energy and emissions management	Reduce the effects of climate change (Emissions, energy and renewables)	Reduce carbon emissions to reduce their impact on the planet. Be energy-efficient and use clean energy (renewable energy and energy efficiency). Contribute to the fight against climate change.
	Ecological impacts	Biodiversity	Management of the Company's impacts on ecosystems and biodiversity through activities including, but not limited to, land use for exploitation and extraction, as well as the development, construction and siting of projects. Among others, impacts include biodiversity loss, habitat destruction and deforestation at all stages: planning, land acquisition, permits, development, operations and site repair. The category does not cover the impacts of climate change on ecosystems and biodiversity.
	Air quality	Noise	Telefónica's activity does not produce significant polluting emissions (NOX, SOX, particles) to the atmosphere, although we do work to reduce emission sources (fossil fuel consumption) in line with the climate change strategy. Aspects such as noise are also managed via certified environmental management systems.
Water and wastewater management	Water	Address water use and consumption, wastewater generation and other impacts of operations on water resources. Wastewater treatment and discharge management, including groundwater and aquifer pollution.	
Waste and hazardous materials management	Circular economy (including electrical and electronic waste)	Manage and process electrical and electronic equipment waste. Ecodesign, resource optimisation (including water and plastics) and reuse and recycling. New business models based on the circular economy.	

2.17.4. Structure and scope of consolidation of non-financial information

GRI 102-10, 102-45, 102-48, 102-49

> The origin of non-financial information

Non-financial information for the Group is reported without figures for Central America, unless specifically indicated.

Economic and financial information

It comes from the same sources that produce the information included in the Group's Consolidated Annual Accounts Report, audited by PwC.

Customers

This comes from the management control systems of Telefónica S.A. and from operations in the countries. The number of the Company's total accesses does not have to coincide with the partial sum, country by country, since the Corporate Management Control Area uses consistency criteria to standardise certain access-counting criteria.

Employees

The figure comes from corporate human resources management systems and local management areas. In cases where consolidated information is given, the number of persons is used as a factor of proportionality.

Environment and climate change

The information comes from online questionnaires and other IT media from the Environment and Global Operations Areas and each country. Environment and energy data is consolidated by simple addition and, in the case of climate change, calculated by multiplying the activity data by the emission factor and then adding by simple addition. The sources of the emission factors are of recognised prestige (GHG Protocol, DEFRA, ministries, etc.) and have been validated by an independent third party (AENOR).

Historical environment and climate change figures are reported without Central America and thus have the same perimeter as the figures for 2020. In addition, to ensure comparability with the information reported in previous reports, a table has been included with the main environmental KPIs incorporating Central America for the year.

Suppliers

This comes from the system for awarding contracts through the purchasing areas. The information is consolidated without applying any criteria as a factor of proportionality and it is shown according to country. The chapter containing this information covers the entire economic perimeter of the Telefónica Group. It is important to highlight the difference between the procurement data in the Consolidated Financial Statements (in accordance with the accrual method and Telefónica Group's accounting consolidation perimeter) and the criterion of purchases awarded as used in different sections of this report. This refers to purchases approved in the period, regardless of how they are accounted for, and accrued as an expense.

> Corporate perimeter

A list of the companies comprising the Telefónica Group, their names, main corporate purpose, country, share capital, percentage of effective ownership by the Group and the company or companies through which the Group's shareholding is obtained can be found in Appendix I to the 2021 Consolidated Financial Statements.

During 2021, a review was made of the corporate reporting perimeter of the main non-financial indicators. These indicators have been grouped into the following categories according to their nature and subject matter:

- Climate change
- Circular economy
- Sustainable products
- Net Promoter Score (NPS)
- Human capital
- Anti-corruption, whistleblowing and responsible business
- Tax
- Human rights
- Anti-corruption training
- Training in Responsible Business Principles
- Reputation
- Impact
- Security
- Privacy
- Privacy/security audits
- Suppliers
- Competitive behaviour and open Internet
- Shareholders

For each of these categories, based on both internal and external information (e.g. non-financial regulations or the main reporting standards), specific criteria have been identified to estimate the corresponding corporate scope.

> Other information

All information in this report is given in euros, unless otherwise stated. The exchange rates applied coincide with those used in the preparation of the Group's Consolidated Financial Statements to facilitate the integral relationship between financial and non-financial variables.

Due to its strategic importance for the company, the Report contains several specific indicators corresponding to VMED O2 (Virgin Media O2), the joint venture created in the United Kingdom between Telefónica UK and Virgin Media UK. This entity began operating on June 1st 2021 and the external auditor has not verified its non financial information.

2.17.5. Principles for the preparation of the Non-Financial Information (NFI)

GRI 102-12, 102-32, 102-46, 102-54

This Non-Financial Information Statement forms part of Telefónica's 2021 Management Report and includes the progress made at the Company during the year in economic, social and environmental matters across its value chain, together with its strategic, development and market positioning so that readers can better understand the sustainability of our business model and its materiality, its capacity to generate value in terms of capital and the interaction with stakeholders.

The statement has been evaluated and approved by the Board of Directors as it forms part of Telefónica's 2021 Management Report.

Telefónica provides all stakeholders with all its public information in order to provide reliable, material, concise and comparable information on the Company's performance, its business model, value levers and strategies for the coming years.

Telefónica reports Non-Financial Information according to the following standards:

- a. Following the recommendations of the IIRC (International Integrated Reporting Council) and in accordance with the GRI Standards (comprehensive option).



See GRI Standards Compliance Table in section 2.17.9. of this same chapter

- b. In accordance with Law 11/2018 of 28 December, which amends the Commercial Code; the revised text of the Corporations Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on the Auditing of Accounts in terms of Non-Financial Information and diversity. Both compliance with the law and the GRI option have subsequently been subject to external verification by PwC.



See Spanish Law 11/2018 Compliance Table in section 2.17.9. of this same chapter

- c. According to the SASB (Sustainability Accounting Standards Board) Telecommunication Services Sustainable Industry Classification System® (SICS®) TC-TL standard.



See SASB Standards Compliance Table in section 2.17.10. of this same chapter

- d. The environmental report follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).



See TCFD Compliance Table in section 2.17.8. of this same chapter

- e. In addition, the review of the EINF has been made by PwC according to the principles defined by the AA1000AS Standard, values that seek to "ensure the quality of the organisation's Sustainability Report and of the processes, systems and competencies applied as the basis for its execution by the entire organisation".

In addition, Telefónica reports on its commitment to the following international treaties and objectives:

- a. United Nations Universal Declaration of Human Rights.
- b. United Nations Sustainable Development Goals (SDGs) (see chapter 2.8).
- c. Covenant on Civil and Political Rights.
- d. Covenant on Economic, Social and Cultural Rights.
- e. Convention on the Rights of the Child.
- f. Convention on the Rights of Persons with Disabilities.
- g. Conventions of the International Labour Organisation.
- h. Basel Convention (hazardous waste).
- i. International Guidelines (ICNIRP).
- j. Montreal Protocol.

> Principles for the preparation of the report

Stakeholder inclusion

The chapter on 'How we relate to our stakeholders' identifies these groups and explains how, within reason, Telefónica has responded to their expectations and interests.

Sustainability context

Telefónica contributes to the progress of the communities in which it operates and their social and environmental sustainability throughout its value chain and at local, regional, national and international levels: from working with our suppliers to respecting consumer rights, including marketing sustainable products and services.

Materiality

This addresses issues that reflect the Company's significant economic, environmental and social effects and substantially influence our stakeholders' assessments and decisions. To this end, a materiality analysis has been performed at corporate, local and regional level from a dual perspective: relevance to our stakeholders and impact on communities.

Completeness

We indicate the material aspects and their coverage, scope and time to show their significant economic, environmental and social effects. In this way, stakeholders can analyse Telefónica's performance during the period under analysis.

Impact

We show the Company's impacts on society and the environment of the communities in which we operate.

2.17.6. UN Global Compact Commitment

GRI 103

Through its Chairman, Telefónica has been a signatory to the United Nations Global Compact (UNGC) since 2002. The UNGC is a voluntary framework for companies to align their operations and strategies with the 10 principles on human rights, labour, the environment and anti-corruption.

		Principles	Chapter of the report
Human rights	Principle 1.	Businesses should support and respect the protection of internationally-proclaimed human rights.	2.8. Human rights 2.9 Responsibility in our products and services 2.16 Responsible supply chain management
	Principle 2.	Businesses should make sure they are not complicit in human rights abuses.	2.8. Human rights 2.16 Responsible supply chain management
Labour standards	Principle 3.	Businesses should uphold the freedom of association and effective recognition of the right to collective bargaining.	2.6. Human capital 2.8 Human rights 2.16 Responsible supply chain management
	Principle 4.	Businesses should support the elimination of all forms of forced and compulsory labour.	2.8. Human rights 2.16 Responsible supply chain management
	Principle 5.	Businesses should support the effective abolition of child labour.	2.8. Human Rights 2.16 Responsible supply chain management
	Principle 6.	Businesses should support the elimination of discrimination in respect of employment and occupation.	2.6. Human capital 2.16 Responsible supply chain management
Environment	Principle 7.	Businesses adopt a precautionary approach in favour of the environment.	2.1. Responsibility with the environment 2.2. Energy and climate change 2.3. Circular economy 2.4 Digitalisation and Eco Smart services 2.9 Responsibility in our products and service 2.16 Responsible supply chain management
	Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility.	2.2. Energy and climate change 2.3. Circular economy 2.4. Digitalisation and Eco Smart services 2.9 Responsibility in our products and services 2.16 Responsible supply chain management
	Principle 9.	Businesses must encourage the development and dissemination of environmentally friendly technologies.	2.4. Digitalisation and Eco Smart services 2.9 Responsibility in our products and services
Anti-corruption	Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery.	2.12. Ethics and compliance 2.16 Responsible supply chain management

2.17.7. Collaboration with other associations

GRI 102-13

Telefónica collaborates with associations and other organisations which have a direct impact on our sector and interest groups. In particular:

5G Automotive Association, a global, cross-industry organisation of companies from the automotive, technology and telecommunications industries. Its aim is to develop integrated solutions for future mobility and transport services to avoid incompatibility problems from the outset.

Adigital, Spanish Association of the Digital Economy, business organisation that promotes the digitalization of the Spanish economy. Formed by a network of more than 500 companies from key sectors, it promotes the development of the digital economy through the representation and defence of our associates' interests (Policy), the dissemination, research and creation of synergies (Labs) and the generation of trust in the digital environment (Trust).

AECA, an organisation that issues generally accepted accounting principles and standards and studies on good business practices.

AENOR, a Spanish organisation that carries out standardisation and certification (S+C) work to improve quality in companies and the well-being of society.

Alliance to Better Protect Minors Online, a self-regulatory initiative aimed at improving the online environment for children and young people.

American Society, operates as a non-political, non-profit organisation and strives to be the focal point for people interested in developing and maintaining business and social relationships in an international environment.

ASIET, an association formed by the main telecommunications operators in Latin America.

Aspen Institute Spain, an independent foundation dedicated to promoting value-based leadership and reflection on critical issues for the future of society. It provides a plural and balanced forum for the discussion of issues of general interest among people who aspire to put their ideas into practice. Its activities focus on programmes, seminars and conferences.

Bitkom, the digital association of Germany. Founded in Berlin in 1999, it represents over 2,700 companies in the digital economy. Members include over 1,000 SMEs, more than 500 start-ups and virtually every global player.

Broadband Forum, a non-profit industry organisation focused on improving broadband networks to make them faster and smarter.

Business Europe, a European employers' organisation set up by national organisations and currently representing 40 organisations from 34 countries.

CAF, the Latin American Development Bank, a multilateral financial institution whose mission is to support the sustainable development of shareholder countries and regional integration. It serves the public and private sectors, providing multiple financial products and services to a broad portfolio of clients, including governments of shareholder states, financial institutions and public and private companies.

Casa de América, a public consortium that aims to strengthen the links between Spain and the American continent, especially with Latin America. Its events, which are open to the public, are attended by members of governments from both sides of the Atlantic, the media, diplomats, businesses, representatives of the cultural and academic world and institutions.

CDP, a non-profit organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their impact on the environment.

CEOE, an institution representing Spanish entrepreneurs.

Chefsache, a German network of leaders committed to making gender equality a top management priority.

ClosinGap. This group seeks to be an engine of social and economic transformation that helps facilitate the personal and professional development of women to guarantee equal opportunities.

Confederación Estatal de Personas Sordas (CNSE) defends the interests of hearing-impaired people and their families.

Corporate Excellence, a knowledge centre comprising the main Spanish corporations, its goal is to become a technical benchmark in the management of intangibles and sustainability.

Corporate Integrity Forum, an initiative that forms part of Transparency International's International Business Integrity Forum Network and brings together large enterprises fully committed to the promotion and development of a business culture of integrity. They stand as national and international benchmarks in transparency, compliance, sustainability, ethics and good governance through the adoption of best practices in all these areas.

Cotec Foundation for Innovation, a private non-profit organisation whose mission is to promote innovation as an engine of economic and social development. In fulfilling its mission, Cotec is involved in two primary activities: working as an observatory for R&D&I in Spain; and providing analysis and advice on innovation, technology and economics.

Cyber Threat Alliance (CTA), an organisation committed to our mission of ensuring a safer digital ecosystem through collaboration and information-sharing. Their experience as individuals bridges the gap between technical infrastructure, policy and communications; together, they are the foundation of our success.

DigitalES, the Spanish Association for Digitalisation, brings together the main companies in the technology and digital innovation sector in Spain. The aim of DigitalEs is to promote the digital transformation of citizens, companies and public administration, thus contributing to the economic and social growth of Spain.

EIT Health is situated in a privileged location, at the meeting point between business, research and education, to bring to the market real and innovative health solutions that improve citizens' health.

ERT, European Round Table of Industrialists, an informal forum that brings together up to 50 CEOs and presidents of major European multinational companies.

ETNO, an association of the main European telecommunication network operators.

ETSI, European Telecommunications Standards Institute.

European Commission (EC), the institution that embodies the executive branch of Community power.

Federación Estatal de Lesbianas, Gais, Trans y Bisexuales (FELGTB) de España, which defends and promotes human rights and equal opportunities for LGBT+ people.

FIWARE Foundation, an independent legal body that provides shared resources to help achieve the FIWARE mission by promoting, increasing, protecting and validating FIWARE technologies and the activities of the FIWARE community, empowering its members, including end-users, developers and other stakeholders throughout the ecosystem.

Fundación Carolina, a reference institution for the promotion of cultural relations and cooperation between Spain and the countries of the Ibero-American Community, particularly in the fields of science, culture, technology and innovation.

Fundación Euroamérica stimulates cooperation and understanding between European and Latin American institutions, companies and personalities to foster relations between Europe and America.

Fundación Máshumano, an organisation that promotes the humanisation of management models in business and social organisations, proposing work models that respond to the social need to reconcile personal, family and professional life.

Global Compact, a United Nations initiative that promotes the implementation of 10 universally-accepted principles in the areas of human rights, labour standards, environment and anti-corruption.

Global Digital Women (GDW), an international body of digital pioneering women whose aim is the networking, visibility and empowerment of inspiring digital minds of our time. GDW offers #femaledigitalheros in companies, politics, associations and organisations a platform and space to exchange experiences and make their careers visible.

Global Network Initiative (GNI), a coalition of companies, civil society organisations, investors and academics working to protect and promote freedom of expression and privacy in the Information and Communication Technologies (ICT) sector.

GSMA, an organisation of mobile operators and related companies dedicated to supporting the standardisation, implementation and promotion of the mobile phone system. It has approximately 800 mobile operators and more than 200 related companies as members.

Hermes Institute, a non-profit foundation dedicated to identifying, disseminating and defending digital citizenship rights.

IBGC - Instituto Brasileiro de Governança Corporativa, the leading voice in corporate governance in Brazil and one of the main institutions in the world to advocate high standards of corporate integrity, addressing entrepreneurs, business leaders, investors, board members, executives and politicians.

ICT Coalition, works for the development of products and services that address the challenge of child safety in the online world.

IDB (Inter-American Development Bank), the leading source of development finance in the region. It aims to improve quality of life in Latin America and the Caribbean in priority sectors such as health, education and infrastructures through financial and technical support for countries working to reduce poverty and inequality. Its vision is to achieve development using sustainable and climate-friendly methods.

Information Security Forum (ISF), an independent information security body.

Internet Watch Foundation, an NGO that locates and reports images of child sexual abuse globally.

ITU (International Telecommunication Union), the United Nations specialised agency for Information and Communication Technologies (ICT).

Joint Audit Cooperation, a sector-wide initiative of 17 telecommunications operators that have joined forces to verify, assess and develop the implementation of sustainability standards in common supplier factories.

LGBTI+ Business Forum. Promotes the integration of LGBT+ people into society and the workplace.

Media Chicas, a non-profit organisation with the mission of bridging the digital gender gap through the democratisation of knowledge.

Mobile UK, the association of UK mobile network operators: EE, O2, Three and Vodafone. Mobile UK's mission is to work with government, regulators, civil society and others to harness the power of mobile devices, improve the lives of customers and the prosperity of the UK as a whole.

OECD, the organisation that promotes policies to improve the economic and social well-being of people around the world.

ONCE Foundation, an organisation dedicated to the social and labour inclusion of people with disabilities.

O-RAN Alliance, its mission being to reshape the RAN industry towards more intelligent, open, virtualised and fully interoperable mobile networks. The new O-RAN standards will enable a more competitive and vibrant RAN vendor ecosystem with faster innovation to improve user experience. O-RAN-based mobile networks will simultaneously improve the efficiency of RAN deployments and mobile operators' operations.

Organismo Internacional de Juventud para Iberoamérica, an international organisation made up of 21 Ibero-American countries, focused on cooperation in youth matters.

Pride Connection, a network that seeks to promote inclusive work spaces for sexual diversity and generate links to attract LGBTI talent to the various organisations that make up the network.

Randstad Foundation, its mission being to achieve equal employment opportunities for people with disabilities.

RE100, a global initiative to involve, support and highlight large enterprises committed to using 100% renewable energy, demonstrating leadership in the fight against climate change and development of a low-carbon economy.

Real Instituto Elcano, a think-tank for international and strategic studies from a Spanish, European and global perspective. Its purpose is to promote knowledge of the international reality and Spain's foreign relations in society, as well as to stand as a focus point for thought and the generation of ideas that are useful for decision-making by political leaders, leaders of private enterprise and public institutions, social players and academics.

Red Empresarial por la Diversidad e Inclusión LGBTI (REDI), the network of companies and professionals committed to fostering an inclusive and respectful environment in organisations in Spain, where talent is valued regardless of identity, gender expression and sexual orientation.

Responsible Business Alliance, an ICT industry coalition dedicated to corporate social responsibility in global supply chains.

Spanish Green Growth Group, an association that aims to address environmental challenges through public-private partnerships.

Spanish Royal Academy of Engineering, an institution at the forefront of technical knowledge, which promotes excellence, quality and competence in Spanish engineering in its various disciplines and areas of action. Its activities include the "Women and Engineering" programme in which Telefónica collaborates.

Tele Management Forum provides an open and collaborative environment, together with practical tools and information to assist its members in their digital transformation initiatives. Its services include Catalyst collaborative programmes and proof-of-concept projects, industry research and benchmarking, technology roadmaps, best practice guides, business process guidelines and open APIs, as well as certified training, conferences and research. The forum has more than 850 member companies, including the 10 largest telecommunications service providers in the world.

United Nations, organisation, founded by 51 countries committed to maintaining international peace and security and promoting social progress, better living standards and human rights.

United Nations Development Programme (UNDP) works to eradicate poverty and reduce inequality and exclusion.

UN Women develops programmes, policies and standards to uphold women's human rights and ensure that all women and girls reach their full potential.

Will Women in Leadership in Latin America, its mission being to promote the career development of women in Latin America and encourage companies based in the region to implement programmes for women in business to promote the exchange of best practices.

Women in Agile, a non-profit organisation to network, promote and support the work of outstanding women in the agile community.

World Bank, a vital resource for financial and technical assistance for developing countries around the world.

World Tourism Organization (WTO), a specialised agency of the United Nations whose purpose is to promote and develop tourism as an important instrument for world peace and understanding, economic development and international trade.

2.17.8. Table of Climate-related Financial Disclosures (TCFD)

GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.

Recommendations	References
a) Describe the board's oversight of climate-related risks and opportunities.	2.2. Energy and climate change. Governance. Page 71 -72 2.11. Governance and sustainability culture. Pages 190-193 3.1. Risk management framework. Pages 308 -315 4.4. The organisational structure of the administrative bodies: Sustainability and Quality Committee. Pages 389-391 CDP Climate responses 2021: C1.1b
b) Describe management's role in assessing and managing climate-related risks and opportunities.	2.2. Energy and climate change. Governance. Page 71 -72 2.11. Governance and sustainability culture. Pages 190-193 3.1. Risk management framework. Pages 308-315 4.4. The organisational structure of the administrative bodies: Sustainability and Quality Committee. Pages 389-391 CDP Climate responses 2021: C1.2, C1.2a

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommendations	References
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2.2.4. Energy and climate change. Risks and opportunities. Pages 72-73 2.16. Responsible supply chain management. Pages 239-250 3.1. Risk management framework. Pages 308 -315 3.2.2. Sustainability Risks (ESG) (Environmental, Social and Governance). Pages 317-318 3.3. Risk factors. Operational Risks. Page 322-333 CDP Climate responses 2021: C2.1a, C2.3, C2.3a, C2.4, C2.4a.
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	1.1. Strategic vision. Social environment: increased significance of environmental and long-term sustainability issues. Pages 8 -9 1.7. Sustainable finance. Pages 25-29 2.2.4. Energy and climate change. Risks and opportunities. Pages 72-73 2.4. Digitalisation and Eco Smart services Pages 90-94 2.5. European taxonomy for sustainable activities. Page 95-102 CDP Climate responses 2021: C2.3a, C2.4a, C3.1, C3.2a, C3.3, C3.4, C3.4a, C-FS3.7, C-FS3.7a
c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	2.2.4. Energy and climate change. Risks and opportunities. Pages 72-73 2.2.5. Energy and climate change. Strategy and commitments. Pages 73-75 2.3.4. Circular Economy. Strategy and commitments. Pages 83-85 2.4. Digitalisation and Eco Smart services Pages 90-94 CDP Climate responses 2021: C3.2, C3.2a

RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommendations	References
a) Describe your organization's processes for identifying and assessing climate-related risks.	2.2.4. Energy and climate change. Risks and opportunities. Pages 72-73 3.1. Risk management framework. Pages 308 -315 3.2. Risk map. Pages 316-321 3.2.2. Sustainability Risks (ESG) (Environmental, Social and Governance). Pages 317-318 3.3. Risk factors. Page 322-333 CDP Climate responses 2021: C2.1, C2.2, C2.2a, C-FS2.2b, C-FS2.2c, C-FS2.2f
b) Describe the organization's processes for managing climate-related risks.	2.2.4. Energy and climate change. Risks and opportunities. Pages 72-73 3.1. Risk management framework. Pages 308 -315 3.2. Risk map. Pages 316-321 3.2.2. Sustainability Risks (ESG) (Environmental, Social and Governance). Pages 317-318 CDP Climate responses 2021: C2.1, C2.2, C-FS2.2f

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<p>2.2.4 Energy and climate change. Risks and opportunities. Pages 72-73</p> <p>2.11.2 Governance and sustainability culture. Annual variable remuneration. Page 192-193</p> <p>3.1 Risk management framework. Pages 308 -315</p> <p>3.2. Risk map. Pages 316-321</p> <p>3.2.2 Sustainability Risks (ESG) (Environmental, Social and Governance). Pages 317-318</p> <p>5.1 Annual report on remuneration. Page 454</p> <p>CDP Climate responses 2021: C2.1, C2.2</p>
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METRICS & TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommendations	References
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>2.2.5 Energy and climate change. Strategy and commitments. Pages 73-75</p> <p>2.2.6 Energy and climate change. Progress in 2021. Pages 76-81</p> <p>2.3.4 Circular Economy. Strategy and commitments. Pages 83-85</p> <p>2.3.5 Circular Economy. Progress in 2021. Pages 85-89</p> <p>2.4 Digitalisation and Eco Smart services Pages 90-94</p> <p>2.11.2 Governance and sustainability culture. Annual variable remuneration. Page 192-193</p> <p>5.1 Annual report on remuneration. Page 454</p> <p>CDP Climate responses 2021: C4.2, C4.2a, C4.2b, C9.1</p>
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>2.2.5 Energy and climate change. Strategy and commitments. Pages 73-75</p> <p>2.2.6 Energy and climate change. Progress in 2021. Pages 76-81</p> <p>CDP Climate responses 2021: C6.1, C6.3, C6.5, C-FS14.1, C-FS14.1a, C-FS14.1b, C-FS14.1c</p>
c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	<p>2.2.5 Energy and climate change. Strategy and commitments. Pages 73-75</p> <p>2.2.6 Energy and climate change. Progress in 2021. Pages 76-81</p> <p>2.3.4 Circular Economy. Strategy and commitments. Pages 83-85</p> <p>2.3.5 Circular Economy. Progress in 2021. Pages 85-89</p> <p>2.4 Digitalisation and Eco Smart services Pages 90-94</p> <p>CDP Climate responses 2021: C4.1, C4.1a, C4.1b, C4.2, C4.2a, C4.2b</p>

2.17.9. Compliance table of Spanish Law 11/2018 of 28 December - GRI Standards

GRI 102-55

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
Business model	Description of the business model, environment, organization and structure.	102-1	Name of the Company.	Direct answer: Telefónica S.A.	
		102-2	Activities, brands, products and services.	1.3. Business model. 1.6. Organisation. 1.8. Main magnitudes and presence.	
	Markets in which it operates.	102-3	Location of registered office.	Direct answer: Madrid, Spain.	
		102-4	Location of operations.	1.8. Main magnitudes and presence. 1.8.3. Advancing towards a more sustainable world	
		102-5	Ownership and legal form.	1.8. Main magnitudes and presence.	
		102-6	Markets served.	1.8. Main magnitudes and presence. 1.9. Business overview.	
		102-7	Scale of the organisation.	1.8. Main magnitudes and presence.	
	Objectives and strategies	102-14	Statement from senior decision-makers.	1.2. Mission, purpose, values. 1.5. Strategy. 2.12. Ethics and compliance.	
	Main factors and trends which could affect its future evolution.	102-15	Key impacts, risks and opportunities.	1.1. Context.	
Policies and their results	<p>A description of the policies which the Group applies with regard to those issues, which will include:</p> <p>1.) the due diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts. 2.) the verification and control procedures, including which measures have been adopted.</p>	103	Management approach of each area.	1.1. Context. 1.4.2. Process for determining dual materiality. 1.6. Organisation. 3. Risks.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
Main non-financial risks	The main risks related to these issues regarding the Group's activities, including, where relevant and proportionate, its commercial relations, products or services which could have negative effects in those areas, and * how the Group manages those risks, * explaining the procedures used to detect them and evaluate them in accordance with the national, European and international reference frameworks for each issue. * It must include information about the impacts which have been identified, giving a breakdown of them, in particular the main risks in the short, medium and long term.	102-15	Key impacts, risks and opportunities.	1.1. Context. 1.4.2. Process for determining dual materiality. 1.6. Organisation. 3. Risks.	
		407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	2.16.5.1. Risk management. > Step 1. Minimum standards required. 2.16.6.1. Risk management in 2021. Direct answer: During the financial year 2021, there were no transactions in which employees/suppliers' rights of freedom of association	
		408-1	Operations and suppliers at significant risk for incidents of child labour.	2.16.5.1. Risk management. > Step 1. Minimum standards required. 2.16.6.1. Risk management in 2021.	
		409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	Direct answer: There were no operations with a significant risk of child or forced labour during the financial year 2021.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
Environmental issues	Global environment				
	1.) Detailed information about the current and foreseeable effects of the Company's activities on the environment and, where applicable, health and safety, the environmental evaluation or certification procedures;	103	Management approach of each area.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	
	2.) The resources dedicated to the prevention of environmental risks;	102-11	Precautionary principle or approach.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	
	3.) The application of the precautionary principle, the quantity of provisions and guarantees for environmental risks (e.g. arising from environmental liability legislation).	308-1	New suppliers that have passed evaluation and selection filters according to environmental criteria.	2.16.5.1. Risk management. > Step 1. Minimum standards required. > Step 4. Audits on high-risk suppliers. 2.16.6.1. Risk management in 2021.	
		308-2	Negative environmental impacts in the supply chain and actions taken.	2.3.5.2. Suppliers. 2.16.5.1. Risk management. If we focus our risk analysis exclusively on the assessment of specific environmental impacts, given the product or service they supply, we have 903 suppliers with potential or actual significant negative environmental impacts.	
	Pollution				
	1.) Measures to prevent, reduce or repair carbon emissions which seriously affect the environment.	103	Management approach to emissions/biodiversity.	2.1. Responsibility with the environment. 2.1.6. Responsible network and biodiversity. 2.2. Energy and climate change. 2.3. Circular economy.	
		305-5	Reduction of GHG emissions.	2.2.6. Progress in 2021.	
	2.) Taking into account any form of specific atmospheric pollution of an activity, including noise and light pollution.	305-6	Emissions of ozone-depleting substances (ODS).	Direct answer: 34t.	
		305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions.		This indicator is not considered to be relevant as the emissions of this type of pollutants are not a significant part of our activity.
	Circular economy, prevention and management of waste				
	Circular economy.	103	Management approach to effluents and waste.	2.1. Responsibility with the environment. 2.1.6. Responsible network and biodiversity. 2.2. Energy and climate change.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		301-2	Recycled input materials used.	2.3.5.1. Internal eco-efficiency.	This indicator is not considered applicable as the products and services offered by Telefónica are not directly related to manufacturing products.
		301-3	Reclaimed products and their packaging materials.	2.3.5.1. Internal eco-efficiency.	
	Waste: prevention measures, recycling, re-use, other forms of recovery and disposal of waste.	103	Management approach to effluents and waste.	2.1. Responsibility with the environment. 2.1.6. Responsible network and biodiversity. 2.2. Energy and climate change. 2.3. Circular economy.	
		306-1	Waste generation and significant waste-related impacts.	2.3.5.1. Internal eco-efficiency. > Waste as a resource.	
		306-2	Management of significant waste-related impacts.	2.3.5.1. Internal eco-efficiency. > Waste as a resource.	
		306-3	Waste generated.	2.1.7. Main indicators. 2.3.5.1. Internal eco-efficiency. > Waste as a resource.	
		306-4	Waste not for disposal.	2.1.7. Main indicators. 2.3.5.1. Internal eco-efficiency. > Waste as a resource.	
		306-5	Waste for disposal.	2.3.5.1. Internal eco-efficiency. > Waste as a resource.	
	Actions to combat food waste.	103	Management approach to effluents and waste.		This indicator is not considered applicable as the products and services offered by Telefónica are not directly related to food consumption.
Sustainable use of resources					
	The consumption of water and the supply of water in accordance with local limitations.	303-3	Water extraction.	Direct answer: Telefónica's water consumption comes from the municipal supply networks in the locations where we operate.	
		303-5	Water consumption.	2.1.7. Main indicators. 2.3.5.1. Internal eco-efficiency. > Water.	
	Consumption of raw materials and the measures adopted to improve efficiency in their use.	103	Approach to materials management.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		301-1	Materials used by weight or volume.		As it is a service company, this indicator does not apply. The consumption of materials does not occur for the direct generation of products but for the Company's telecommunications network to provide the services required by our customers. The processes to reduce consumption of materials and re-use them make our network more efficient from this perspective, too. In our administrative activities, the material most used is paper. At Telefónica, efficient use is encouraged through digitalisation of processes. Chapter 2.3. Circular economy includes more details on Telefónica's management of paper consumption.
		301-2	Recycled input materials used.	2.3.5.1. Internal eco-efficiency.	
		301-3	Reclaimed products and their packaging materials.	2.3.5.1. Internal eco-efficiency. > Electronic equipment. > Waste as a resource.	
	Direct and indirect consumption, of energy, measures taken to improve energy efficiency and the use of renewable energies.	103	Approach to energy management.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	
		302-1	Energy consumption within the organization.	2.2.6. Progress in 2021. > Evolution of energy consumption. > Renewable energy. Direct answer: energy consumption reported includes both that used at Telefónica facilities and at external facilities, such as those of other operators or telecommunications tower companies. Energy consumption in own facilities 21,983,852 GJ (2020 data: 21,344,142 GJ)	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		302-2	Energy consumption within the organization.	2.2.6. Progress in 2021. > Evolution of energy consumption. > Renewable energy. Direct answer: energy consumption reported includes both that used at Telefónica facilities and at external facilities, such as those of other operators or telecommunications tower companies. Energy consumption in third-party installations: 4,171,410GJ (2020 data: 3,963,387 GJ)	
		302-3	Energy intensity.	2.1.7. Main indicators. 2.2.6. Progress in 2021. > Evolution of energy consumption. Direct answer: 194 GJ/PB (2020 data: 246 GJ/PB. Energy intensity has been reduced by 21%).	
		302-4	Reduction in energy consumption.	2.2.6. Progress in 2021. > Evolution of energy consumption. > Renewable energy.	
		302-5	Reductions in energy requirements of products and services.		This indicator is not considered applicable as the products and services offered by Telefónica are not directly related to our customers' energy consumption. The nature of the products and services offered by Telefónica is mostly related to mobile and fixed connectivity, as well as digital and data services.
Climate Change					
	The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	103	Approach to emissions management.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	
		305-1	Direct GHG emissions (Scope 1).	2.1.7. Main indicators. 2.2.6. Progress in 2021. > Evolution of emissions. Direct answer: Biogenic emissions: 9,020 tCO ₂ eq (2020 data: 9,695 tCO ₂ eq)	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		305-2	Indirect GHG emissions from the generation of energy (Scope 2).	2.1.7. Main indicators. 2.2.6. Progress in 2021. > Evolution of emissions.	
		305-3	Other indirect GHG emissions (Scope 3).	2.1.7. Main indicators. 2.2.6. Progress in 2021. > Evolution of emissions.	
		305-4	GHG emissions intensity.	2.1.7. Main indicators. 2.2.6. Progress in 2021. > Evolution of emissions.	
		305-5	Reduction of GHG emissions.	2.2.6. Progress in 2021. > Evolution of emissions.	
	The measures adopted in order to adapt to the consequences of climate change.	103	Approach to emissions management.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	
	The reduction targets voluntarily established in the medium and long term to reduce GHG emissions and the measures implemented to that end.	103	Approach to emissions management.	2.1. Responsibility with the environment. 2.1.5. Environmental management system. 2.2. Energy and climate change. 2.3. Circular economy.	
		305-5	Reduction of GHG emissions.	2.2.6. Progress in 2021. > Evolution of emissions.	
Protection of biodiversity					
	Measures taken to preserve or restore biodiversity.	103	Management focus. Biodiversity.	2.1. Responsibility with the environment. 2.1.6. Responsible network and biodiversity. 2.2. Energy and climate change. 2.3. Circular economy	
		303-4	Water discharges.	2.3.5.1. Internal Eco-efficiency. > Water. Direct answer: all water discharges at Telefónica are sanitary and are discharged to the municipal sanitation system, therefore no water bodies or related habitats are affected.	
	Impacts caused by the activities or operations in protected areas.	103	Management focus. Biodiversity.	2.1. Responsibility with the environment. 2.1.6. Responsible network and biodiversity.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
Social and personnel-related matters	Employment				
	Total number and distribution of employees by sex, age, country and professional classification.	102-8	Information on employees and other workers.	2.6.6. Main indicators. 2.6.6.2. Workforce and diversity indicators.	The information included in the Report includes only internal employees hired by Telefónica.
		202-2	Proportion of senior management hired from the local community.	Direct answer: 71.4% of the CEOs and chairmen in the countries are local.	
		405-1	Diversity of governance bodies and employees.	2.6.6. Main indicators. 2.6.6.2. Workforce and diversity indicators. > Diversity indicators.	
	Total number and distribution of types of employment contracts.	102-8	Information on employees and other workers.	2.6.6. Main indicators. 2.6.6.2. Workforce and diversity indicators.	The information included in the Report includes only internal employees hired by Telefónica.
	Annual average of permanent contracts, temporary contracts and part-time contracts by sex, age and professional classification.	102-8	Information on employees and other workers.	2.6.6. Main indicators. 2.6.6.2. Workforce and diversity indicators.	The information included in the Report includes only internal employees hired by Telefónica.
		405-1	Diversity of governance bodies and employees.	22.6.6. Main indicators. 2.6.6.2. Workforce and diversity indicators.	
	Number of dismissals by sex, age, country and professional classification.	401-1	New hires and employee turnover.	2.6.6. Main indicators. 2.6.6.2. Workforce and diversity indicators. > New employee recruitment. > Employee turnover.	
	Average remunerations and their evolution, with a breakdown by sex, age and professional classification or equal value.	405-2	Ratio of basic salary and remuneration of women to men.	2.6.6. Main indicators. 2.6.6.6. Remuneration indicators.	
	Wage gap, the remuneration of jobs of equal value or the average of the Company.	103	Employment + diversity and equality of opportunities.	2.6.5.2. Diversity and inclusion.	
		405-2	Ratio of basic salary and remuneration of women to men.	2.6.6. Main indicators. 2.6.6.6. Remuneration indicators. > Gender pay gap.	
	The average remuneration of directors and managers, including variable remuneration, allowances, compensation, payments into long-term savings plans and any other payment, with a breakdown by sexes.	103	Approach to diversity and equality management.	2.6.6. Main indicators. 2.6.6.6. Remuneration indicators.	
		102-35	Governance: remuneration policies.	2.6.5.1. Attraction, retention and capacity-building. > How to assess effort: remuneration policy. 5.1. Annual Report on Directors' Remuneration.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		102-36	Governance: processes for determining remuneration.	2.6.5.1. Attraction, retention and capacity-building. > How to assess effort: remuneration policy. 5.1. Annual Report on Directors' Remuneration.	
		102-38	Governance: annual total compensation ratio.	2.6.6. Main indicators. 2.6.6.6. Remuneration indicators.	Information included in the Report covers the annual compensation ratio for the Company's CEO. Information relating to the different countries is not published on specific confidentiality grounds.
		102-39	Governance: percentage increase in annual total compensation ratio.		The information relating to this indicator is not published on specific confidentiality grounds.
		202-1	Ratios of standard entry-level wage by gender compared to local minimum wage.	2.6.6. Main indicators. 2.6.6.6. Remuneration indicators.	
	Implementation of end of employment policies.	103	Approach to employment management.	2.6.5.3. New ways of working. > Work-life balance.	
	Employees with disabilities.	405-1	Diversity of governance bodies and employees.	2.6.5.2. Diversity and inclusion. > Programmes to promote diversity and inclusion. 2.6.6.2. Workforce and diversity indicators. > Diversity indicators.	
Organisation of work					
	Organisation of work time.	103	Approach to employment management.	2.6.5.3. New ways of working. > Work-life balance.	
	Number of hours of absenteeism.	103	Approach to employment management (quantitative data on absenteeism).	2.6.6.1. Health and safety at work.	
	Measures aimed at facilitating the life-work balance and promoting the co-responsibility of both parents.	103	Approach to employment management.	2.6.5.3. New ways of working. > Work-life balance.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
	Health and safety				
	Health and safety conditions at work.	403-1	Occupational health and safety management system.	2.6.5.4. Occupational health, safety and well-being. > Management systems: prevention of work-related incidents and occupational diseases.	
		403-2	Hazard identification, risk assessment and incident investigation.	2.6.5.4. Occupational health, safety and well-being. > Management systems: prevention of work-related incidents and occupational diseases. 2.12.5.3. Complaint and remedy mechanisms: Channel for queries and complaints.	
		403-3	Occupational health services.	2.6.5.4. Occupational health, safety and well-being. > Occupational health services. > Promotion of workers' health.	
		403-5	Training of workers in occupational health and safety.	2.6.5.4. Occupational health, safety and well-being. > Employee training and representation.	
		403-6	Promotion of workers' health.	2.6.5.4. Occupational health, safety and well-being. > Promotion of workers' health.	
		403-7	Prevention and mitigation of impacts on the health and safety of workers directly linked to business relationships.	2.6.5.4. Occupational health, safety and well-being. > Commitment to our suppliers.	
		403-8	Coverage of the occupational health and safety management system.	2.6.5.4. Occupational health, safety and well-being. 2.6.6.1. Health and safety at work.	The information included in the Report includes only internal employees hired by Telefónica.
	Occupational accidents, in particular their frequency and severity. Occupational diseases, broken down by sex.	403-9	Injuries due to occupational accidents.	2.6.5.4. Occupational health, safety and well-being. 2.6.6.1. Health and safety at work.	The information included in the Report includes only internal employees hired by Telefónica.
		403-10	Occupational diseases and illnesses.	2.6.5.4. Occupational health, safety and well-being. Direct answer: No particular incidence or risk of diseases related to the Company's activity is apparent.	The information included in the Report includes only internal employees hired by Telefónica.

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
Labour relations					
	Organisation of dialogue in labour matters, including procedures to inform and consult employees and negotiate with them.	103	Approach to worker-Company relations management.	2.6.2. Governance. > Industrial relations. Social dialogue.	
		407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	2.16.5.1. Risk management. Step 1. Minimum standards required. 2.16.6.1. Risk management in 2021. Direct answer: During the financial year 2021, there were no transactions in which employees/suppliers' rights of freedom of association were violated.	
	Percentage of employees covered by collective agreements, by country.	102-41	Collective agreements.	2.6.6.4. Collective agreements.	
	The outcome of collective agreements, particularly in the sphere of occupational health and safety.	403-4	Worker participation, consultation and communication on occupational health and safety.	2.6.2. Governance. > Industrial relations. Social dialogue. 2.6.5.4. Occupational health, safety and well-being. > Employee training and representation.	
Training					
	The policies implemented in the field of training.	103	Management approach to training and education.	2.6.5.1. Attraction, retention and capacity-building.	
		404-2	Programmes for upgrading employee skills and transition assistance programmes.	2.6.5.1. Attraction, retention and capacity-building. 2.6.2. Governance. > Industrial relations. Social dialogue.	
		404-3	Percentage of employees receiving regular performance and career development reviews.	2.6.5.1. Attraction, retention and capacity-building. > Performance appraisals.	Currently, Telefónica's information systems do not make it possible to break down information about performance reviews by sex or labour category. We are adapting the systems to be able to provide this information.
	Total number of hours of training by professional categories.	404-1	Average hours of training per year per employee.	2.6.5.1. Attraction, retention and capacity-building. 2.6.6.5. Training indicators.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
	Universal accessibility of people with disabilities.	103	Diversity Management and Equal Opportunities + Non-discrimination approach.	2.6.5.2. Diversity and inclusion.	
	Equality				
	Measures adopted to promote equality of treatment of and opportunities for men and women.	103	Management approach to diversity, equality of opportunities and non-discrimination.	2.6.5.2. Diversity and inclusion.	
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures adopted to promote employment, protocols against sexual harassment and gender-related harassment, the integration and universal accessibility of people with disabilities.	103	Management approach to diversity, equality of opportunities and non-discrimination.	2.6.5.2. Diversity and inclusion.	
	Policy against all types of discrimination and, where appropriate, the management of diversity.	103	Management approach to diversity, equality of opportunities and non-discrimination.	2.6.5.2. Diversity and inclusion.	
Human rights	Application of due diligence measures with regard to human rights. Prevention of the risks of violation of human rights and, where applicable, measures to mitigate, manage and repair possible abuses committed.	103	Management approach to the evaluation of human rights + freedom of association and collective bargaining + child labour + forced or compulsory labour.	2.16.6.1. Risk management in 2021. 2.8.5. Strategy and commitment: Telefónica's due diligence on human rights.	
		102-16	Values, principles, standards, and norms of behaviour.	2.12. Ethics and compliance.	
		102-17	Mechanisms for advice and concerns about ethics.	2.12.5.3. Complaint and remedy mechanisms: Channel for enquiries and complaints. 2.12.5.6. Internal control.	
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	2.8.5. Strategy and commitment: Telefónica's due diligence on human rights.	
		412-2	Employee training on human rights policies or procedures.	2.12.5.2. Training. 2.8.5. Strategy and commitment: Telefónica's due diligence on human rights.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		412-1	Operations that have been subject to human rights reviews or impact assessments.	2.8.5. Strategy and commitment: Telefónica's due diligence on human rights.	
	Reports of cases of violation of human rights.	406-1	Incidents of discrimination and corrective actions taken.	2.12.5.3. Complaint and remedy mechanisms: Channel for enquiries and complaints.	
	Promotion and fulfilment of the provisions of the fundamental conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining.	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	2.16.5.1. Risk management. Step 1. Minimum standards required. 2.16.6.1. Risk management in 2021. Direct answer: During the financial year 2021, there were no transactions in which employees/suppliers' rights of freedom of association were violated.	
	The elimination of discrimination in employment and occupation.	103	Management approach to non-discrimination.	2.6.2. Governance. > Industrial relations. Social dialogue. 2.6.5.1. Attraction, retention and capacity-building. > How to assess effort: remuneration policy. 2.6.5.2. Diversity and inclusion. > Committed to equal opportunities. 2.8.5. Strategy and commitment. > Telefónica's human rights due diligence. 2.11.1. Governance. 2.12.5.3. Complaint and remedy mechanisms: channel for queries and complaints. 2.17.3. Material issues. 2.17.6. Commitment to the United Nations Global Compact.	
		406-1	Incidents of discrimination and corrective actions taken.	2.12.5.3. Complaint and remedy mechanisms: channel for enquiries and complaints.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
	The elimination of forced or compulsory labour.	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	2.16.5. Strategy and commitment. 2.16.5.1. Risk management. 2.16.6.1. Risk management in 2021. 2.8.5. Strategy and commitment. > Telefónica's human rights due diligence. Direct answer: There are no operations with a significant risk of child or forced labour during the financial year 2021.	
	The effective abolition of child labour.	408-1	Operations and suppliers at significant risk for incidents of child labour.	2.16.5. Strategy and commitment. 2.16.5.1. Risk management. 2.16.6.1. Risk management in 2021. 2.8.5. Strategy and commitment. > Telefónica's human rights due diligence. Direct answer: There were no operations with a significant risk of child or forced labour during the financial year 2021.	
Corruption and bribery	Measures adopted to prevent corruption and bribery.	103	Measures adopted to prevent corruption and bribery.	2.11.1 Governance. 2.12.5. Strategy and commitment.	
		102-16	Measures adopted to prevent corruption and bribery.	2.11.1 Governance. 2.12.5. Strategy and commitment.	
		102-17	Measures adopted to prevent corruption and bribery.	2.12.5.3. Complaint and remedy mechanisms: channel for enquiries and complaints.	
		205-1	Measures adopted to prevent corruption and bribery.	2.12.5.6 Internal control.	
		205-2	Measures adopted to prevent corruption and bribery.	2.12.5.1. Compliance. 2.12.5.2. Training.	
		205-3	Measures adopted to prevent corruption and bribery.	2.12.5.3. Complaint and remedy mechanisms: channel for enquiries and complaints.	
	Measures to combat money laundering.	205-2	Communication and training about anti-corruption policies and procedures.	2.12.5.1. Compliance.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
	Contributions to non-profit foundations and entities.	103	Approach to anti-corruption management.	<p>Direct answer: Telefónica's contribution to Fundación Telefónica in 2021 totalled 56.6 million euros. 55.7 million of this amount was in cash. Contributions in kind include the transfer of the right of temporary and free usufruct in favour of Fundación Telefónica over the Espacio Escuela 42 and the donation in kind of various assets and rights for a value of 0.9 million euros. Cash payments of 57.0 million euros and in-kind contributions of 0.9 million euros were made during the financial year 2020.</p> <p>Atam is an association created by Telefónica whose objective is to support people with disabilities. It is a mutually supportive and collaborative organisation. It is a non-profit entity that was incorporated more than 40 years ago and has been declared a Public Utility. It is organised as a Social Protection System for people suffering from disabilities and/or dependency. Telefónica's contribution was 7.04 million euros in 2021. In 2020, it was 7.08 million euros.</p>	
Company	Company's commitments to sustainable development				
	The impact of the Company's activity on local employment and development.	103	Approach to local communities + indirect economic impacts management.	2.10. Contribution and impact on communities.	
		203-1	Infrastructure investments and services supported.	2.10.2.1. Helping society thrive. Direct answer: Total Telefónica Group investment in infrastructure and applied services: 7,267 million euros (2020 figure: 5,861 million euros).	
		203-2	Significant indirect economic impacts.	2.10.2.1. Helping society thrive.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		413-1	Operations with local community engagement, impact assessments, and development programmes.	2.10. Contribution and impact on communities.	
	The impact of the Company's activity on the local populations and the territory.	203-1	Infrastructure investments and services supported.	2.10.2.1. Helping society thrive. Direct answer: Total Telefónica Group investment in infrastructure and applied services: 7,267 million euros (2020 figure: 5,861 million euros).	
		203-2	Significant indirect economic impacts.	2.10.2.1. Helping society thrive.	
	The relations maintained with local community players and the forms of dialogue with them.	103	Approach to local communities management.	2.8.6. Progress in 2021. > Network deployment. 2.9.4. Electromagnetic fields.	
		102-43	Approach to stakeholder engagement.	2.17.2. Types of engagement and relations with our stakeholders.	
		413-1	Operations with local community engagement, impact assessments, and development programmes.	2.8. Human rights.	
	Association or sponsorship actions.	102-12	External initiatives.	2.13.5. Principles for the preparation of the Non-Financial Information (NFI) Statement.	
		102-13	Membership of associations.	2.17.7. Collaborations with other associations.	
Subcontracting and suppliers					
	* The inclusion in the procurement policy of social, gender equality and environmental issues. * Consideration in relations with suppliers and subcontractors of their social and environmental responsibility.	102-9	Supply chain.	2.16.1. Vision. 2.16.3. Policies. 2.16.4. Risks and opportunities. 2.16.5. Strategy and commitment. 2.16.5.1. Risk management. 2.16.5.2. Engagement with suppliers. 2.16.6.1. Risk management in 2021. 2.16.6.2. Engagement in 2021.	
		102-10	Significant changes to the organisation and its supply chain.	2.17.4. Structure and consolidation perimeter of non-financial information.	
		103	Supplier environmental assessment + supplier social assessment + acquisition practices.	2.16.5.1. Risk management.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		308-1	Supplier environmental assessment.	2.16.1. Vision. 2.16.3. Policies. 2.16.5.1. Risk management. 2.16.6.1. Risk management in 2021.	
		204-1	Proportion of spending on local suppliers.	1.8.3. Advancing towards a more sustainable world. 2.16.6. Progress in 2021. 2.10.2.1. Helping society thrive.	
		414-1	Supplier social assessment.	2.16.1. Vision. 2.16.3. Policies. 2.16.5.1. Risk management. 2.16.6.1. Risk management in 2021.	
	Supervision and audit systems and their results.	103	Approach to acquisition practices management.	2.16.1. Vision. 2.16.5. Strategy and commitment. 2.16.5.1. Risk management.	
		414-1	New suppliers screened using social criteria.	2.16.5.1. Risk management. 2.16.6.1. Risk management in 2021.	
		414-2	Negative social impacts in the supply chain and actions taken.	2.16.6.1. Risk management. If we focus our risk analysis exclusively on the assessment of specific social impacts, given the product or service they supply, we have 784 suppliers with potential or actual significant negative social impacts.	
Consumers					
	Measures for the health and safety of consumers.	103	Management approach to health and safety of customers + marketing and labelling + customer privacy.	2.8.6. Progress in 2021. > Protection of minors. 2.9.4. Electromagnetic fields. 2.9.5. Products and services. > Health and safety in our products and services. 2.14.3. Responsibility to customers: our approach and performance. 2.15.2. Privacy.	
		416-1	Assessment of the health and safety impacts of product and service categories.	2.9.5. Products and services. > Health and safety in our products and services.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
	Complaint systems, complaints received and their resolution.	103	Management focus. Customer health and safety + marketing and labelling + customer privacy.	2.8.5. Strategy and commitment. > Telefónica's human rights due diligence. 2.14.3. Responsibility to customers: our approach and performance. > Complaints. > Customer defense service. 2.15.2.4. Strategy and commitment. > Consultation and complaint mechanisms.	
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.	2.9.5. Products and services. > Health and safety in our products and services. Direct answer: During the 2021 financial year, no non-compliance was detected in relation to our quality assessments and certification of equipment and devices in any of the regions in which we operate.	
		418-1	Substantiated claims related to breaches of customer privacy and loss of customer data.	2.15.4.4. Main indicators. Direct answer: in 2021, there were 9 consultations/complaints on data protection/privacy issues in the Responsible Business Channel (2020 data: 15).	
Tax information					
	Profit obtained country by country.	207-1	Fiscal approach.	2.13. Fiscal transparency.	
	Taxes on profits paid.	207-2	Fiscal governance, control and risk management.	Direct answer: details of the composition of income taxes paid for 2019 (1,054 million euros), 2020 (626 million euros) and 2021 (1,378 million euros) are included in note 25 to the Consolidated Financial Statements.	
		207-3	Stakeholder engagement and management of tax concerns.		
		207-4	Country-by-country reporting.		
	Public subsidies received.	103	Approach to economic performance management (quantitative data on subsidies).	2.13.6. Progress in 2021. > Contribution to the development of local economies and finances. Direct answer: total operating subsidies received by Telefónica in 2021 amounted to 13 million euros (17 million euros in 2020).	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
Other significant disclosures	European taxonomy for sustainable activities.	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and related Delegated Regulations	-	2.5. European taxonomy for sustainable activities.	
	Other general disclosures.	102-18	Governance structure.	4.1.1. Corporate governance system. 4.4.1. Board of Directors.	
		102-19	Delegation of authority.	4.1.1. Corporate governance system.	
		102-20	Executive-level responsibility for economic, environmental, and social issues.	2.11.1. Governance.	
		102-21	Consulting stakeholders on economic, environmental, and social issues.	2.17.2. Types of engagement and relations with our stakeholders.	
		102-22	Composition of the highest governance body and its committees.	4.1.1. Corporate governance system. 4.4.1. Board of Directors.	
		102-23	Chair of the highest governance body.	Direct answer: José María Álvarez-Pallete.	
		102-24	Appointment and selection of the highest governance body.	4.4.1. Board of Directors	
		102-25	Conflicts of interest.	4.5.2. Conflicts of Interest.	
		102-26	Role of highest governance body in setting purpose, values, and strategy.	2.11.1. Governance.	
		102-27	Collective knowledge of highest governance body.	2.11.2. Culture aligned with ethical and sustainable management.	
		102-28	Evaluation of the highest governance body's performance.	4.4.1. Board of Directors.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		102-29	Identifying and managing economic, environmental, and social impacts.	1.4.5. Ongoing dialogue with stakeholders. 2.9.6. Responsible design. 2.16.5.1. Risk management. 2.16.6.1. Risk management in 2021. 2.8.5. Strategy and commitment. > Telefónica's human rights due diligence. 2.10.2. Strategy and commitment. > Evaluation of our contribution and impact. 2.1.5. Environmental management system.	
		102-30	Effectiveness of risk management processes.	2.11.1. Governance. 3.1. Risk management model.	
		102-31	Review of economic, environmental, and social issues.	2.11.1. Governance.	
		102-32	Highest governance body's role in sustainability reporting.	2.11.1. Governance. 2.13.5. Principles for the preparation of the Non-Financial Information (NFI) Statement.	
		102-33	Communicating critical concerns to the highest governance body.	2.11.1. Governance.	
		102-34	Types and total number of critical concerns.	1.4.4. Materiality context.	
		102-37	Stakeholders' involvement in remuneration.	2.6.5.1. Attraction, retention and capacity-building. > How to assess effort: remuneration policy.	
		102-40	List of stakeholder groups.	2.17.1. Telefónica's stakeholders.	
		102-42	Identifying and selecting stakeholders.	2.17.1. Telefónica's stakeholders.	
		102-43	Approach to stakeholder engagement/key topics and concerns raised.	2.17.2. Types of engagement and relations with our stakeholders.	
		102-44	Key topics and concerns raised.	1.4.4. Materiality context.	
		102-45	Entities included in the Consolidated Financial Statements.	2.17.4. Structure and consolidation perimeter of Non-Financial Information (NFI).	
		102-46	Defining report content and topic boundaries.	2.17.5. Principles for the preparation of the Non-Financial Information (NFI) Statement.	

Areas	Contents	Reporting criteria	GRI description	Reference/location 2021	GRI omissions
		102-47	List of material topics.	1.4.4. Materiality context. 2.17.3. Material issues.	
		102-48	Restatements of information.	2.17.4. Structure and consolidation perimeter of non-financial information.	
		102-49	Changes in reporting.	2.17.4. Structure and consolidation perimeter of Non-Financial Information (NFI).	
		102-50	Reporting period.	Direct answer: the year 2021.	
		102-51	Date of most recent report.	Direct answer: February 2021.	
		102-52	Reporting cycle.	Direct answer: annual.	
		102-53	Contact point for questions regarding the Report.	Direct answer: Global Sustainability Department of Telefónica.	
		102-54	Claims of reporting in accordance with the GRI Standards.	2.17.5. Principles for the preparation of the Non-Financial Information (NFI) Statement.	
		102-55	GRI content index.	2.17.9. Compliance table, Law 11/2018 of 28 December - GRI Standards.	
		102-56	External assurance.	Direct answer: external assurance carried out by PricewaterhouseCoopers Auditores, S.L.	

All GRI issues related to the indicators included in this table are considered material to the Company, except 301: Materials, 303: Water and Effluents, 401: Employment. However, indicators 301-1, 301-3, 303-3, 303-5 and 401-1 are considered relevant for reporting purposes and therefore the Company provides information in this area.

The GRI Standards used in this Report correspond to the 2016 version, with the exception of the following: 207: Taxation (2019), 303: Water and Effluents (2018), 403: Occupational Health and Safety (2018) and, 306: Waste (2020).

2.17.10. SASB compliance table

Table 1. Sustainability disclosure and accounting metrics

Subject	SASB Code	Metrics	Telefónica's response/comments
Environmental footprint of operations(1)	TC-TL-130a.1	Total energy consumed (GJ) (electricity + fuels).	21,983,852
		Percentage of grid electricity in total energy consumption.	95 %
		Percentage of renewable energy in total energy consumption.	70 %
Data privacy	TC-TL-220a.1	Description of policies and practices related to behavioural advertising and customer privacy.	See chapter 2.15.2. Privacy (2.15.2.1. Governance, 2.15.2.2. Policies, 2.15.2.3. Risks and opportunities, 2.15.2.4. Strategy and commitments).
	TC-TL-220a.2	Number of customers whose information is used for secondary purposes.	In accordance with current legislation, Telefónica performs additional processing of customer data, such as anonymisation, to generate aggregate statistical information.
	TC-TL-220a.3	Total amount of monetary losses due to legal proceedings in customer privacy matters (€).	436,714
	TC-TL-220a.4	Number of requests for customer information from law enforcement agencies.	5,263,552
		Number of customers whose information was requested.	7,065,651
		Percentage resulting in disclosure.	99 %
Data security	TC-TL-230a.1	Number of data breaches.	3
		Percentage involving personally identifiable information(2).	0.4 %
		Number of customers affected(2).	157,217
	TC-TL-230a.2	Description of the approach to identifying and addressing data security risks, including the use of third-party cybersecurity standards.	See chapter 2.15.3. Security (2.15.3.1. Governance, 2.15.2.2. Policies, 2.15.2.3. Risks and opportunities, 2.15.2.4. Strategy and commitments).
	Product end-of-life management	TC-TL-440a.1	Materials recovered through collection programmes, percentage of materials recovered that were:
• Total recovered (tonnes)			
• Re-used (%)			15.6
• Recycled (%)			84.3
• Deposited in landfills (%)			0.1

Competitive behaviour and the open Internet	TC-TL-520a.1	Total amount of monetary losses due to legal proceedings related to anti-competitive behaviour regulations.	0
	TC-TL-520a.2 ⁽²⁾	FIXED NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of own and commercially-associated content.	ADSL: 14.854 Mbps FTTH: 611.152 Mbps No differential assessment between associated and non-associated content.
		MOBILE NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of own and commercially-associated content.	4G: 48.96 Mbps No differential assessment between associated and non-associated content.
		FIXED NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of non-associated content.	ADSL: 14.854 Mbps FTTH: 611.152 Mbps No differential assessment between associated and non-associated content.
		MOBILE NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of non-associated content.	4G: 48.96 Mbps No differential assessment between associated and non-associated content.
Management of systemic risks arising from technological outages	TC-TL-520a.3	Description of the risks and opportunities associated with net neutrality, paid peering, zero rating and related practices.	Telefónica has defined its policy in the Digital Pact (https://www.telefonica.com/en/web/public-policy/telefonica-digital-deal).
	TC-TL-550a.1 ⁽²⁾	FIXED NETWORK: Average system outage frequency.	2
		MOBILE NETWORK: Average system outage frequency.	40
		FIXED NETWORK: Average duration of outage for customer.	3,78 h
		MOBILE NETWORK: Average duration of outage for customer.	0,02 h
	TC-TL-550a.2	Discussion of systems to provide unimpeded service during outages.	See chapter 2.9.3. Network quality and availability.

Notes:

⁽¹⁾ Environmental footprint indicators do not include the operator Telefónica UK (O2).⁽²⁾ Data for Telefónica Spain.**Table 2. Activity metrics**

SASB Code	Metrics	Telefónica's response/comments
TC-TL-000.A	Total number of mobile accesses (millions).	278
TC-TL-000.B	Total number of fixed accesses (millions).	30
TC-TL-000.C	Number of fixed broadband connections (millions).	26
TC-TL-000.D	Network traffic in petabytes ⁽¹⁾ .	113,547

Note:

⁽¹⁾ Excluding the operator Telefónica UK (O2).