

Measuring the *social and environmental* impact of Telefónica 2022

Technical Report
on Impact Measurement



Context and opportunity

Today's profound socio-economic changes and the major challenges we face demand greater responsibility from the business sector. We need to ensure *inclusion, the protection of ecosystems and shared wealth for present and future generations.*

In this context, the need arises to **identify the social and environmental impact companies are generating** in order to learn how we can operate in a more sustainable way and create more value for society.

“What is not defined cannot be measured.
What is not measured cannot be improved.
What is not improved is always degraded”

Lord Kelvin

By measuring the value of our impacts and quantifying them in economic terms, **we can integrate the results into the organisation's management flow to be a part of the decision-making process.** For some years now, we have broken with the trend of traditional reporting models that focus solely on presenting strictly economic data.

Although there is still no common global standard for measuring and reporting on impact-related matters, recent years have seen a growing number of organisations working together to develop reporting standards, assessment frameworks, methodologies and indicators focused on measurement. These new frameworks of analysis include proposals put forward by the Chair of Social Impact at Spanish university ICADE for measuring and managing social impact, the analysis models of the *Impact Management Project (IMP)* and, particularly in the last few years, the work carried out by Harvard University in its *Impact Weighted Account Initiative (IWI)* project.

At Telefónica we have been using all these new frameworks and improving our assessment models while also identifying how we can contribute more significantly to the challenges of the United Nations 2030 Agenda.

We identify where and how we contribute more significantly to the Sustainable Development Goals.

Now, we have adapted these frameworks to the particularities and concrete needs of our sector and, more specifically, to the company's own idiosyncrasies. We do so with one sound purpose in mind: to **integrate the results into active management and embed them within our decision-making processes**. Under this maxim, we work to **put people at the centre of everything we do** so that customers, professionals, suppliers, investors, shareholders and society in general can be fully confident in what we do.

Alignment with company strategy

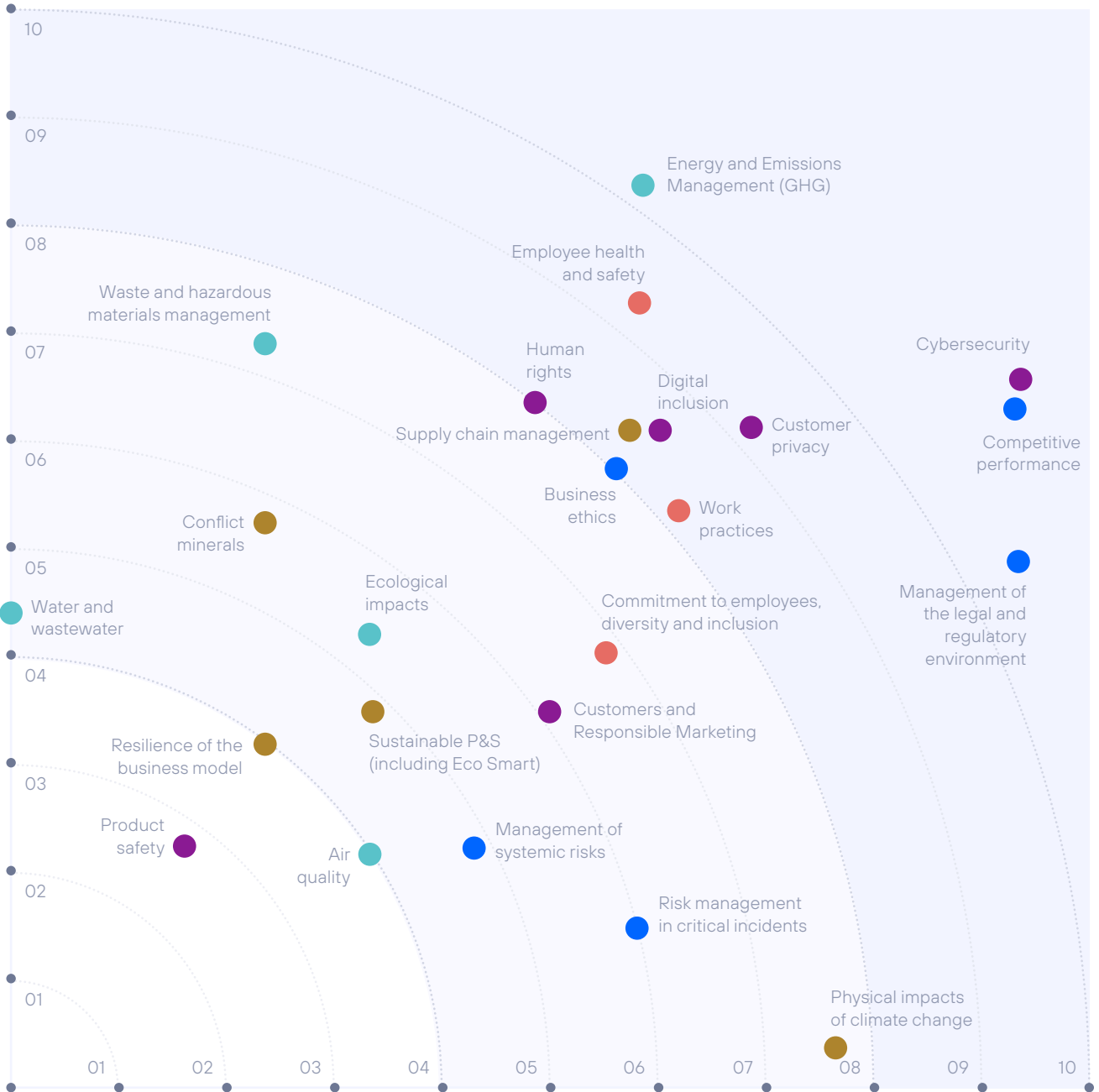
The creation of shareholder value together with the possibility of generating a *positive impact on people and our environment* is our focus. For this reason, we have undertaken an assessment exercise that analyses every aspect considered material for the company.

We start by considering the external effects most directly linked to our business, analysing those with the greatest impact.

Accordingly, we have conducted a pioneering study, ahead of the regulatory schedule to obtain **the double materiality matrix**: on the one hand, the impact on Telefónica's value; and on the other, the impact on society and the environment.

Based on this matrix, we analyse our activities, operations, products, services and social action and how they align with the company's strategy. Aspects such as **ethical and responsible management, responsibility towards customers and employees, products and services offered and environmental protection** are some of the variables that have been considered, evaluated and monetised according to their positive or negative impact on socio-economic development and their alignment with the Sustainable Development Goals (SDGs).

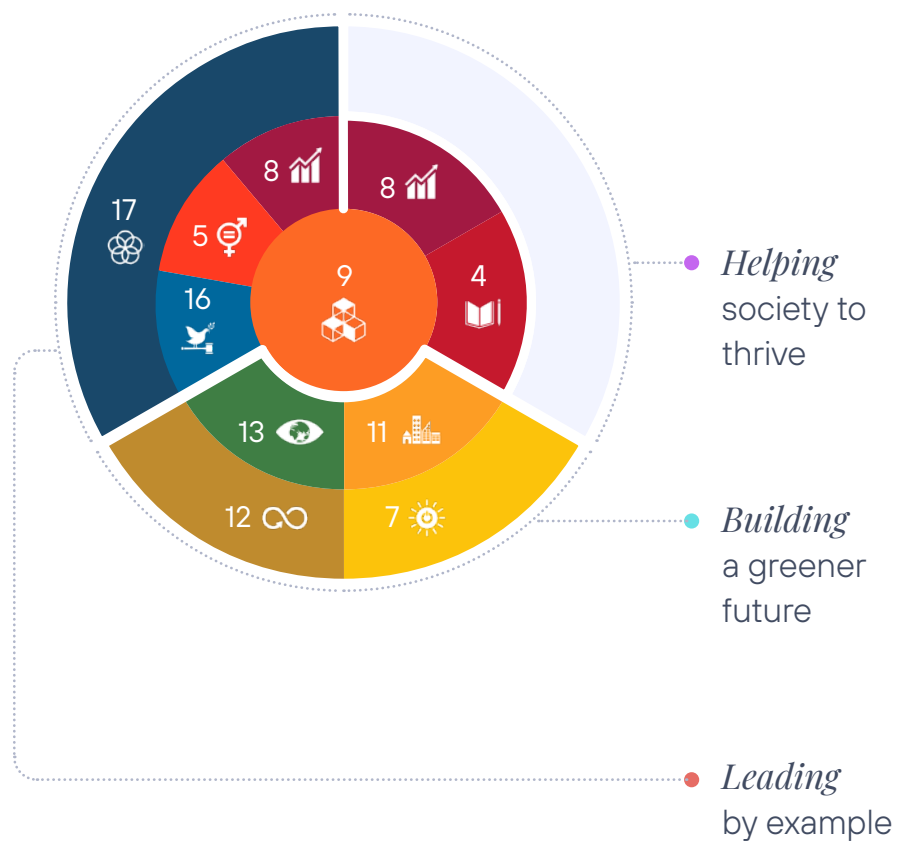
Impact on
society and environment



- Social capital
- Human capital
- Business model and innovation
- Governance and leadership
- Environment

Impact on
Telefónica's value

The impact variables analysed have been structured around the company's three strategic pillars and aligned with the Sustainable Development Goals.



We help society to thrive

1

Our company purpose “Making our world more human by connecting people’s lives” entails bringing **the best connectivity and the latest technology to everyone, leaving no one behind**. The deployment of communications infrastructure is behind the development of the new digital society and is becoming one of the **main forces behind economic progress**. Digitalisation **accelerates the growth of the economy, strengthens the industrial fabric** and supports the **generation of new business**.

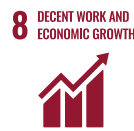
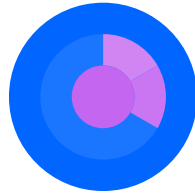
Digitalisation is one of the main drivers of progress and socio-economic development.

This first pillar is structured into three sub-categories and encompasses the economic and social contribution derived from investments in activities linked to the company’s core business.

Total impact

+€91 bn

Helping
society to
thrive



SDG  Contribution to the economic development of the regions where we are present

- Contribution to local tax revenues
- Contribution to regional development through job creation

This analysis takes into account the figures for the direct contribution to **local tax revenues in the different regions in which we operate**, as well as the contribution from **indirect and induced job creation through the activity generated in our supply chain**. These parameters are a key part of the livelihood of local economies and, as such, a key factor for the sustainable growth of any society.

SDG   Innovation and entrepreneurship

- Investment in R&D: internal innovation
- Investment and impacts generated through Open Innovation and entrepreneurship centres

This includes all investments made towards **activities directly related to the promotion of research and development (R&D)** and the **boosting of entrepreneurship** through our **Open Innovation platforms: Wayra, Open Future and Telefónica Venture Capital**.



Digital inclusion and social contribution of products and services

- Digitisation and deployment in rural areas
- Affordability of services
- Digital skills
- Training and talent management

This set of variables, which includes the figures with the highest impact, demonstrates how the company is gearing its business towards value creation based on its core activities and operations:

- The promotion of digital inclusion through **the deployment of connectivity, with a special focus on rural, remote regions or areas with the most vulnerable populations.**
- **The accessibility of digital services** so that people with special economic, physical or social circumstances can go online.
- **Digital education**, aimed at **promoting training and instruction in digital skills**, with significant investments in online training programmes, including the **skills training of our own professionals**, whom we train in the most advanced technologies so they can be at the forefront of this digital revolution.

We build a greener future

2

Digitalisation is a key tool for tackling climate change. For this reason, we work on designing **innovative and efficient processes and solutions that reduce our environmental impact and that of our partners and customers**, through the products and services we offer.

Digitalisation is a key tool for tackling climate change.

This second pillar includes both the **negative environmental impacts generated by our business activity and the positive contribution that we have via our digital services to the decarbonisation of the economy and the protection of natural ecosystems**. This favours more sustainable social development through **solutions that boost the circular economy**.

Total impact

+€1.8 bn

Building
a greener
future



7 AFFORDABLE AND
CLEAN ENERGY



11 SUSTAINABLE CITIES
AND COMMUNITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



SDG  

Impact on natural resources

- Waste management
- Water consumption

In this first sub-category, we assess the impact of the management of natural resources, raw materials and waste generated by the company.

- **Waste management:** the **negative impact of waste generation** is accounted for, with a particular focus on **e-waste**.
- **Water:** measurement of our **impact on water resources**, paying special attention to their availability and territorial differences (water stress).
- **Biodiversity:** this takes into account the **negative environmental impacts** of **deploying and managing** our **telecommunications' facilities**.

SDG **7** Emissions

This section assesses the impact of **greenhouse gas (GHG) emissions** according to **Scopes 1, 2 and 3**, as well as offsetting as compensated emissions, which **aim to neutralise the CO₂ emissions** resulting from our own activity.

We are currently developing an offset strategy that enhances and **contributes to the neutralisation of our carbon footprint** through the purchase of carbon credits in certified projects, as well as the impact of the certified projects, as well as the impact of the services the company has for decarbonisation.

In addition, it highlights how the **digitalisation of industrial and economic environments** can reduce the industrial and economic environments is capable of **reducing greenhouse gas emissions**, optimising processes or promoting the innovation of new technological solutions that help to minimise our impact on the planet.

SDG **11** Digital services for a green transition

This third sub-category assesses how the digitalisation **of industrial and economic environments** can reduce greenhouse gas emissions by optimising processes or fostering the **innovation of new technological solutions** that help to minimise our impact on the planet.

Leading by example

3

People-centred digitalisation needs to focus on strengthening trust and to be based on values and a responsible and safe use of technology. At Telefónica, we are committed to **promoting equality and inclusion, protecting the security and privacy** of our customers' information, and **fostering collaboration and partnerships with other organisations**, companies and associations in order to **promote sustainable development**.

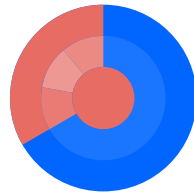
People-centred digitalisation
must be focused on
on building trust.

This pillar focuses on **impacts within the company's internal organization** (e.g. employees, processes to ensure security and privacy etc). It also additional social value is added through the great work carried out by the Telefónica Foundation through its corporate volunteer and culture promotion programs.

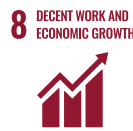
Total impact

+€5 bn

Leading
by example



5 GENDER
EQUALITY



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



17 PARTNERSHIPS
FOR THE GOALS

SDG  

Inclusion, diversity and safety of our professionals

- Diversity - Pay gap
- Quality of wages
- Health and safety of professionals

We include the **contribution** derived from the **quality of the salaries offered by the company to the workforce**; the **impact** that still exists due to **gender inequalities**; the initiatives to **promote diversity** that are developed, and the promotion of the health and safety of the professionals that make up our company and of the **suppliers and allies that work with us on a daily basis** to develop our business activity.

SDG  

Contribution to associations and institutions promoting sustainable development

- Cultural programmes
- Volunteer programmes

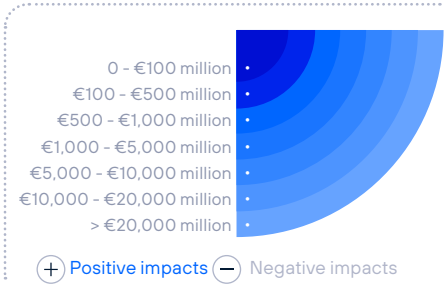
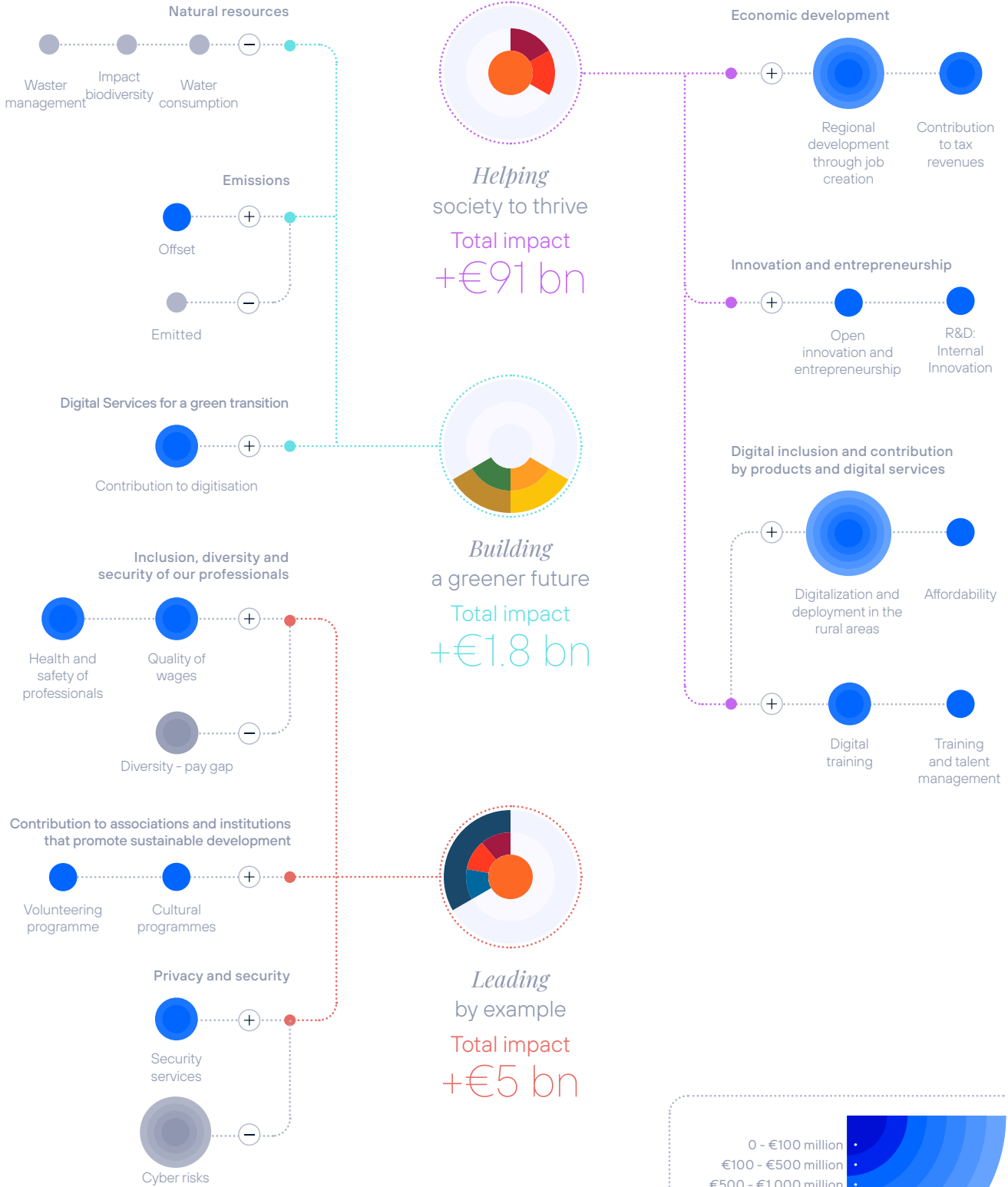
We include the **impacts** derived from the **corporate volunteer and cultural programmes** developed by **Fundación Telefónica**.

SDG  

Privacy and security

- Security services
- Cyber risks
- This section looks at our **contribution to ensuring the privacy** and trust **of our customers**, through the investment we make in developing a **more secure digital environment**.
- **Cyber risks**: measuring, on the one hand, the **potential risks** that can be generated in the digital world by the malicious use of digital services and, on the other, the impact of the activities we carry out in this area in order to **promote an ethical and responsible use of technology**.

Total Impact +€98 bn



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