

# Chairman's Letter



→ We are living in extraordinary times, marked by the need to accelerate the digital, energy, green and educational transitions, among others. These transformations go hand in hand and are supported by powerful technologies like the Internet of Things, artificial intelligence, the metaverse, web3 and crucially, telecommunication networks. The challenging context of war, supply chain tensions and inflation means that now, more than ever, we must work harder to make these transitions happen. We cannot falter.

People-centric digitalisation helps us to progress while respecting the limits of our planet. Telefónica's mission "to make our world more human, by connecting lives" is not just an inspiring principle, but a company-wide commitment to sustainability, which underpins our allegiance to the principles of the United Nations Global Compact and the Sustainable Development Goals in order to build a greener future, help society thrive and lead by example.

In an **increasingly connected** world, there is an urgent need to find a more sustainable economic model. In 2022, Telefónica contributed to these transitions by being:

**More green:** we continued to roll out fibre and 5G to offer digital solutions that help other companies decarbonise (54% of Telefónica's services have been verified as Eco Smart due to their environmental benefits) and we implemented the Eco Rating label across all of our operations to promote conscious consumption.

This occurred in a year in which we were the first telco to have its net zero carbon emissions targets validated by the Science Based Targets initiative (SBTi) according to the new Net-Zero Standard. Since 2015, we have decreased our energy consumption by 87% per unit of traffic and now use 100% renewable electricity in Europe, Brazil, Chile and Peru. This has enabled us to reduce our emissions by 80% in seven years.

**More inclusive:** Telefónica has continued to promote social progress by connecting more and more people. This is why the World Benchmarking Alliance ranked us as leaders in digital inclusion in its latest analysis. We generated close to €46 billion in Gross Domestic Product (GDP) in our major markets and created almost 10 jobs for every new hire in 2022. Over the last years, we have demonstrated an annual positive impact of at least €95 billion against the SDGs.

**More committed:** we have an increasingly motivated team to thank for our progress: our Employee Net Promoter Score reached 69 points, two higher than in 2021. This result was due to aspects such as well-being, learning and diversity, among which our hybrid working model offering more work-life balance opportunities, our reskilling plans and our new target to double the number of employees with disabilities are particularly noteworthy examples.

Our customers also saw the value of our services and support: according to the Net Promoter Score (NPS), their satisfaction level improved by 4 points compared to the previous year (a total score of 30, rising to 58 among our business customers).

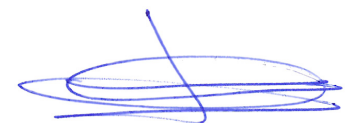
## People-centric digitalisation helps us to progress while respecting the limits of our planet



**More exemplary:** we recognise the importance of following good governance best practices and embedding ethics and privacy throughout our value chain. We were therefore proud to be placed first in the sector in Ranking Digital Rights) for the third year in the row.

Looking ahead, we will continue to increase our positive impact, which has now become more decisive than ever. Our ESG targets include achieving zero net emissions and zero waste, increasing rural connectivity and digital skills training, enhancing diversity and strengthening sustainability in our supply chain. For this purpose, we will harness our opportunities for sustainable financing – a strength area for us, as by the end of 2022 we were the leading telco in terms of the volume of bond and hybrid instrument issuances.

In short, Telefónica is poised to play a leading role in the new era. Connectivity and digitalisation are the cornerstones of the present and the future. Cooperation, values and innovation are the essential elements to enable us all, side by side, to build an era of peace and progress.



José María Álvarez-Pallete  
Chairman of Telefónica