

- Strategy and growth model
   Non-financial Information statement \_Helping society thrive

  - Annual Corporate Governance Report
     Annual Report on Remuneration of the Directors
     Other information







# Helping society thrive







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# 2.5. Human capital

**GRI 3-3** 

#### **KEY POINTS**



Our people management strategy is based on promoting a growth mindset in our teams and empowering individuals so they can harness their full potential.



The Board of Telefónica oversees key Human Capital issues. The strategic lines of action for talent management are defined by the Global Human Resources Committee.



Despite a rather complex backdrop, Telefónica has maintained a stable workforce of more than 103,000 people. Over 98% of our employees are on permanent contracts.

#### 2.5.1. Vision

People are at the heart of our strategy, and our corporate mission is to "make our world more human by connecting lives".

Human Capital remains key in our increasingly digital work environment. We understand this factor as the value stemming from the sum of all the skills, knowledge and experience that our employees bring to the table. Social Capital is also especially important because this is what consolidates the connections that are made between people and teams within the organisation.

These two factors combined represent our **People** Capital, in other words, the value of people as an intangible asset for the Company. This helps us boost our growth mindset and enables teams to meet Company targets.

We aspire to be the best company in the world to work for; a company with diverse talent, flexible working methods and personal growth.



## 2.5.2. Targets

· Achieve 33% women directors by 2024. This target is part of employees' variable remuneration and is a sustainable finance KPI.



For further information, see Chapter 1.7. Sustainable finance.

- · Achieve an adjusted gender pay gap of +/-1% in 2024. This is the basis to progress towards zero gross pay gap.
- · Achieve gender parity in the Company's highest governance bodies by 2030 (parity is defined as no more than 60% and no less than 40% representation of each gender).
- · Continue to be included in the Bloomberg Gender-Equality Index.
- · Maintain a score of 70% on our work-life balance in the employee motivation survey.
- · Double the number of employees with disabilities within the workforce by 2024. This in line with the commitments made to The Valuable 500.
- · Achieve at least 50% participation of the workforce in skill development programmes each year.
- 100% of eligible workers (those whose activity can be carried out remotely) in hybrid work by 2024.
- · Continue to achieve an Employee Net Promoter Score (eNPS) of at least 60.



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#### Our people management vision

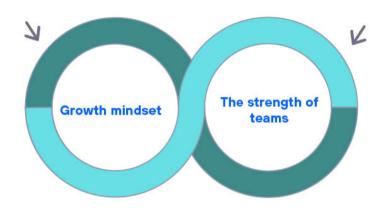
Our goal is to stand at the cutting edge of transformation, maximising Telefónica's people capital to meet business needs.

**Human capital** represents the value of people as an intangible asset for the Company.

People capital is the value stemming from the sum of all the skills, knowledge and experience that all the people within our organisation bring to the table.

**Social capital** consolidates the value of connections between

value of connections between the people and teams within the organisation.



#### 2.5.3. Governance

- The strategic lines of action for global talent management and the applicable targets are defined by the Global Human Resources Committee. Meeting on a monthly basis, this committee is made up of all the heads of the various People areas at Telefónica's main operators and regions.
- Global Executive Committee: this committee
  analyses and monitors key aspects of global employee
  management, from skills and critical talent for the future
  to Telefónica's remuneration and organizational
  strategy.

People-related issues are also regularly reported to three Board committees:

- Sustainability and Quality Committee: once a year, the targets, as well as the global and local progress on talent management and diversity, are presented in this committee. They are in line with the Group's ESG strategy.
- Nominating, Compensation and Corporate
  Governance Committee: among other
  responsibilities, this committee provides reports on
  appointment proposals for the role of Chairman of the
  Board, executive directors and senior executives at the
  Company. This committee also reviews and supervises
  the remuneration of these positions.
- Audit and Control Committee: among other responsibilities, this committee supervises the financial

and non-financial risk management and control systems at the Company (including operational, technological, legal, social, environmental, political and reputational risks, as well as corruption-related risks).

We also have **specific bodies and roles for managing our diversity strategy.** 



For further information, see Chapter 2.7. Diversity and inclusion.

#### 2.5.4. Policies

Many of our internal rules and policies are related to human capital. The following are the most important:

- Regulation on the Nominating, Compensation and Corporate Governance Committee.
- Regulation covering the Hiring of Former Executives and Former Employees of the Telefónica Group.
- Remuneration Policy of the Directors of Telefónica S.A.: in line with the Company's long-term strategy and the interests of its stakeholders, and complying with best practices in good governance.
- Agreement on the right to digitally disconnect: signed in 2019 with the most representative trade unions in the various countries where we operate.



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- Supply Chain Sustainability Policy: lays down the supplier's obligation not to discriminate against any group in its hiring, training and promotion policies.
- Global Occupational Health, Safety and Well-being Regulation of the Telefónica Group.
- Global Human Rights Policy: this sets out the Company's commitment against forced labour, slavery and child labour.

Our Company also has specific policies and protocols on issues related to diversity, inclusion and gender equality.



For further information, see Chapter 2.7. Diversity and inclusion.

Our policies can be found on the website at Telefónica/ Sustainability-Innovation/how-we-work/Main Business Principles.

### 2.5.5. Risks and opportunities

The main challenges we face in human capital management no longer exclusively stem from the **rapid digital transformation** we are undergoing, which is reflected in the labour market. We must also learn how to tackle even greater uncertainty and instability, given the context in which we are living.

The context of high inflation, the strong competition for highly qualified talent and the development of new internal skills will be our major challenges.

We therefore have a huge opportunity to prepare ourselves now and start **building the skills** that the Company will need to implement its strategy.

The pandemic has given us a window to **rethink our culture and the ways we work and innovate,** with the aim of boosting productivity in the new digital age. At Telefónica, we believe that developing hybrid environments capable of harnessing the best of both worlds is key for promoting co-creation, communication and team spirit.

We could not lead the digital revolution without having the best talent, ensuring that all our people - without exception - thrive in a **diverse and inclusive** work environment. This also allows us to empathise better with our customers, to innovate and to reflect their diversity in our commercial value proposition.

We must help our employees to overcome the challenges posed by the swift pace of exponential change that we are experiencing due to the digital transformation, economic uncertainty and political tensions, reducing their impact on their work and **well-being**. Similarly, we work to strengthen consistency between the Company's vision and the personal goals of each employee in order to further cement their ties to the Company.

These challenges are included as emerging risks of the People area in the Telefónica Risk Management Model.



For further information, see Chapter 3.1. Risk management

## 2.5.6. Action plan and commitments

Telefónica's people strategy aims to transform and adapt our teams in line with the context of permanent change in which we find ourselves.

In this respect, our main lines of action (further explained in the following chapters) are focused on:

- Attraction, retention and skill development: we are shifting towards a model that can guarantee business sustainability and let our people thrive and grow. To that end, we foster lifelong learning with large-scale re-skilling and up-skilling programmes, and talent management that is based on skills, including leadership skills.
- Diversity, equality and inclusion, by fostering an inclusive work culture and leadership style to ensure a working environment in which everyone can give its best, developing and participating fully under equal conditions.
- Flexible ways of working and agile highperformance ecosystems capable of improving team effectiveness and efficacy; boosting motivation, talent attraction and a sense of belonging; and fostering innovation and corporate transformation.
- Occupational health, safety and well-being from a comprehensive vision of the individual that considers mental, emotional and physical factors as the pillars of well-being, while encouraging autonomy and responsibility.



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#### **Awards**

Our efforts in terms of talent attraction and development, diversity and inclusion and health and safety have been awarded by different actors, both at the global and the national level.



For further information, see chapter 2.6. Attraction, retention and talent development



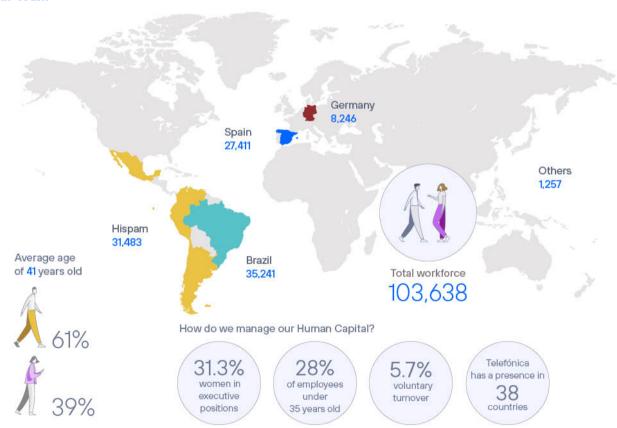
For further information, see Chapter 2.7. Diversity and inclusion.



For further information, see Chapter 2.8. New ways of working

Main KPIs on the Telefónica workforce can be seen below:

#### **Our team**



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## 2.5.7. Staffing indicators

GRI 2-7, 405-1

## > Distribution of employees by country

Total number and distribution of employees by country

	On-site workfo	orce	% On-site work	force
Country	2021	2022	2021	2022
Spain	28,949	27,411	27.9%	26.4%
Brazil	34,746	35,241	33.4%	34.0%
Germany	7,238	8,246	7.0%	8.0%
Hispam	32,091	31,483	30.9%	30.4%
Argentina	12,276	11,210	11.8%	10.8%
Chile	4,053	4,190	3.9%	4.0%
Colombia	5,965	6,462	5.7%	6.2%
Ecuador	922	961	0.9%	0.9%
Mexico	2,097	1,798	2.0%	1.7%
Peru	4,557	4,616	4.4%	4.5%
Uruguay	580	606	0.6%	0.6%
Venezuela	1,641	1,640	1.6%	1.6%
Rest	910	1,257	0.9%	1.2%
Group Total	103,934	103,638	100.0%	100.0%

The Group's average on-site workforce in 2022 , stood at 102,483 employees. The Group's equivalent (FTE) workforce in 2022 , stood at 100,128 FTE.

## > Distribution of employees by type of contract

## Total number and distribution of employment contract types by gender and region

Region	Permanent contracts Men		Permanent contracts Women		Permanent contracts		Temporary contracts Men		Temporary contracts Women		Temporary contracts	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	4,220	4,845	2,482	2,808	6,702	7,653	357	380	179	213	536	593
Brazil	20,020	19,906	14,723	15,333	34,743	35,239	_	0	3	2	3	2
Spain	18,299	17,292	9,941	9,688	28,240	26,980	376	239	333	192	709	431
Rest	655	917	245	338	900	1,255	8	2	2	0	10	2
Hispam	20,006	19,626	11,408	11,205	31,414	30,831	439	434	238	218	677	652
Group Total	63,200	62,586	38,799	39,372	101,999	101,958	1,180	1,055	755	625	1.935	1,680

Relevant KPIs from VMED O2 U.K at 31 December: Permanent Contracts = 16,974 Temporary Contracts = 80

## Total number and distribution of working day types by gender and region

Region	Full-time contracts Men		Full-time contracts Women		Full-time contracts		Part-time contracts Men		Part-time contracts Women		Part-time contracts	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	4,244	4,586	1,640	1,778	5,884	6,364	333	639	1,021	1,243	1,354	1,882
Brazil	20,018	19,905	14,726	15,335	34,744	35,240	2	1	_	_	2	1
Spain	18,618	17,479	10,132	9,765	28,750	27,244	57	52	142	115	199	167
Rest	663	916	223	308	886	1,224	_	3	24	30	24	33
Hispam	20,427	20,041	11,545	11,340	31,972	31,381	18	19	101	83	119	102
Group Total	63,970	62,927	38,266	38,526	102,236	101,453	410	714	1,288	1,471	1,698	2,185

The VMED O2 U.K workforce at 31 December, stood at 17,054 employees (5,217 women, 11,813 men, 24 non-gender-identified employees. However, those indicators that include the cumulative staffing situation will be reflected.

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# Average annual number of permanent, temporary and part-time contracts; by gender, age group and professional category

#### Average contracts by gender

	Men		Wome	า	Total		
	2021	2022	2021	2022	2021	2022	
Permanent contracts	65,445	62,125	40,175	38,739	105,620	100,864	
Temporary contracts	1,089	947	707	672	1,797	1,619	
Part-time contracts	751	580	1,823	1,410	2,575	1,989	

#### Average contracts by age

	Over 50		35 to 50		Under	35	Total		
	2021	2022	2021	2022	2021	2022	2021	2022	
Permanent contracts	22,026	24,541	53,125	48,272	30,469	28,051	105,620	100,864	
Temporary contracts	57	77	492	509	1,247	1,033	1,797	1,619	
Part-time contracts	375	430	1,190	1,099	1,009	460	2,575	1,989	

#### Average contracts by professional category

	Executives		Middle management		Other profe	essionals	Total	
	2021	2022	2021	2022	2021	2022	2021	2022
Permanent contracts	4,331	4,328	8,630	9,247	92,658	87,288	105,620	100,864
Temporary contracts	7	6	11	10	1,779	1,603	1,797	1,619
Part-time contracts	17	14	49	58	2,509	1,918	2,575	1,989

The calculation is based on the cumulative average for the year by type of contract and by type of working day

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## **MILESTONES**

- → The level of commitment from our employees increased, reaching an eNPS of 69 in 2022.
- → Hybrid working models (remote and on-site) were in place at 100% of our operations.
- → We approved our Global Equality Policy and signed the UN Women's Empowerment Principles at a Group level.
- → In line with the goal to generate confidence and optimism in the future, we offer psycho-social risk prevention and care programmes capable of guaranteeing a preventive response.
- → We have been recognized for our people management efforts, both globally and locally at all our operations.

For further information, see chapters 2.6, 2.7, 2.8 and 2.9.



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# 2.6. Attraction, retention and talent development

**GRI 3-3** 

#### **KEY POINTS**



Our employees' level of commitment and engagement as measured by eNPS (employment Net Promoter Score), has risen again in 2022 (+2 pts) to 69.



We promote one of the largest reskilling programmes in Europe, involving more than 16,000 employees in Spain, and 78% of our employees worldwide invested in acquiring and developing new skills in 2022.



More than 50,000 employees already use our SkillsBank skill development platform and we have digitalised 92% of the training we offer.

#### 2.6.1. Vision

Attracting, developing and retaining talent is fundamental to the success of our Company. We want our teams to have whatever they need to overcome present and future challenges. We know that professional careers have shifted from being vertical and stable to more crosscutting and flexible, meaning that our development is no longer conditioned by our current job, but rather by what we want to become in the future.

#### 2.6.2. Action plan and commitments GRI 2-19. 2-20, 201-3, 3-3, 404-2, 404-3

We engage in strategic, skill-related preparation via our Skills Workforce Planning process, which seeks to ensure alignment between the skills we possess in the organisation and the skills that we need to grow our businesses. This enables us to make the right decisions to close the skills gap. We are therefore firmly committed to developing any new skills that we need internally, in combination with incorporating external talent.

· For internal skill development, we promote largescale re-skilling and up-skilling programmes that can develop critical skills for our business while improving the employability of our professionals. With that in mind, we are evolving the learning model to personalise and adapt the range of training we offer to the preferences of each employee based on artificial intelligence engines (learning on demand).

 Besides the traditional talent recruitment tools, we also use new channels to ensure we attract suitable profiles in a more global, digital and efficient way, establish a long-term relationship with candidates and simplify our selection processes. More specifically, we maintain a very active presence at digital job fairs and forums, employability round tables, social media, and universities with technological disciplines.

Furthermore, we strengthen our pool of young talent with Talentum, a scholarship programme in Spain, which is part of the Telefónica's Innovation and Talent Hub. This initiative strengthens university/ company cooperation by combining academic learning with technical business knowledge and cross-cutting skills such as emotional intelligence, teamwork, innovation and creativity.



For further information, see Chapter 2.7. Diversity and inclusion.



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#### The SkillsBank tool, Al for customised training at Telefónica

SkillsBank, a software tool developed internally and recognized externally, is a key element of our skills development model. Built on big data and artificial intelligence, it gives us real-time information about the skills that are present within our organisation.

We use SkillsBank to create a unique and personalized value proposition for each professional, with recommendations on vacancies and development paths. A total of 91,000 employees have access to this tool.

For **new skills to be developed**, we also encourage geographic and job mobility as a key factor in talent retention. We therefore foster an open and innovative environment that makes it easier to match our employees' interests and backgrounds with real opportunities that can maximize learning and development towards the roles of the future.

All these initiatives are aimed at promoting the development and promotion of our employees within the Company. As a result, 25% of the vacancies published have been filled by internal applicants. Of those employees who received a promotion, 40% are women.

If we all grow, Telefónica grows: our range of development options for employees combines technical and human skills



#### Universitas Telefónica

This is the exclusive **platform** on which all our professionals can find a carefully curated range of training experience options designed to accelerate the transformation and achievement of strategic targets for the Company. It is aimed at encouraging uptake of the new working and leadership methods, and at fostering a unique culture that defines us and makes us stronger by aligning priorities and empowering employees.

## Our talent retention top ten

- · A purpose-driven company (e.g. we connect people; remuneration tied to ESG).
- · A complete remuneration package (e.g. a salary far above the minimum, with benefits in every country).
- · Flexible working hours (e.g. a hybrid work model for all eligible employees).
- · Work-life balance (e.g. agreement on the right to disconnect).
- · Lifelong training programme, under which 78% of employees are on skill development programmes (e.g. Universitas, free programming campus 42).
- · Involvement in innovative and transformative programmes tied to new technologies (e.g. Metaverse, Web 3.0, NaaS).
- · Well-being (e.g. 78% of employees believe that Telefónica promotes well-being, according to our motivation survey).
- · Social implication (e.g. the largest corporate volunteering programme of any company worldwide).
- · Diverse and inclusive working environment where difference is valued and empowered (e.g. a commitment to double the number of employees with disabilities).
- · Team-building with international festivals, activities and events (e.g. Sondersland).

The situation arising from the COVID-19 pandemic has presented us with an opportunity to accelerate the digitalisation of learning.

- · On the one hand, we are evolving the profiles and skills of our professionals to meet specific businessrelated challenges. We offer **profile specialization** so our people can remain on the cutting edge (robotisation, cloud, IT sales, data, web developer, 5G, etc.).
- On the other hand, we provide an open choice of training options so that each employee can play a leading role in their own development. The formats (videos, podcasts, video games, interviews, role play sessions, articles, etc.) are tailored to the needs of each person in hybrid and collaborative environments.



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Having undertaken an enormous technological transformation, Telefónica has boosted the Innovation and Talent Hub by opening a new Universitas campus. Its physical location is at our central offices in Madrid (Spain) and it is **equipped with advanced in-person, virtual** 

and hybrid executive education resources.

We have the right environment to achieve the goal of ensuring that at least two out of three of our employees regularly take part in growth, development and skill development programmes every year.

#### > Commitment and motivation of our employees

The commitment of our professionals has always been high on Telefónica's agenda and it forms part of our active listening strategy. For several years now, we have been measuring this through the employee Net Promoter Score (eNPS), which indicates the degree to which the Company's employees recommend the organisation by answering the question:

How likely would you be to recommend your company to people close to you as a good place to work? (1=Definitely would not recommend, 10=Definitely would recommend).

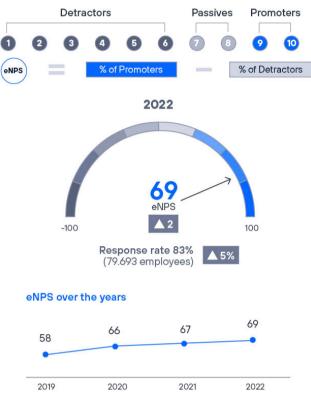
This procedure lets us align ourselves with the customer satisfaction measurement by using the same logic as the Net Promoter Score, which measures the percentage of promoters (those who give scores of between 9 and 10) against the percentage of detractors (those who give scores from 1 to 6).

We achieved a result of 69 in 2022, which is an improvement of 2 points on the 2021 result. This clearly highlights our commitment and sense of pride in belonging.

A result above 40 is considered excellent and we are part of the select group of companies that are above 60. Our challenge now is to keep increasing our professionals' sense of pride in belonging to our Company, under the conviction that their motivation is key for driving good results.

In addition to the annual measurement, we conduct various internal listening exercises in each of our operations (such as opinion surveys) and regular engagement pulse surveys to gauge the level of commitment. This is all complemented by professional performance appraisals, exit interviews, incident tracking and the availability of a Responsible Business Channel that employees can always use to report conflicting situations.

### Formula for calculating the eNPS



## > Culture of recognition: Valuable People

This programme aims to promote a culture of meritocracy through personal recognition by leaders towards employees and among employees themselves, giving visibility to those individuals and teams that excel through both their outstanding contribution and their day-to-day behavior.

It also recognizes "social volunteers or volunteer teams" for their extraordinary contribution to a social cause or in an emergency or humanitarian crisis.

In total, we recorded 100,183 incidents of recognition for colleagues and teams, showing that recognition remains in Telefónica's DNA. We will continue to promote it to connect with our talent.

#### > How to assess effort

Telefónica's remuneration strategy is characterised by its competitiveness. Our main focus is to attract, retain and motivate the Company's professionals so that we can meet our strategic objectives within the globalized framework in which we operate, fostering the generation of long-term value in a sustainable manner for our shareholders.

In this regard, the variable remuneration of our employees encourages **growth** by increasing operating income and return on investment for shareholders, as well as **efficiency** through improving our OIBDA margin and generating free cash flow. Similarly, Telefónica is a



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company that is fully committed to **sustainability.**Factors such as customer trust, the trust of society at large, diversity, and contributing to the fight against climate change, influence the calculation of the variable remuneration of our entire team since 2019.



For further information, see Chapter 2.16. Governance and culture of sustainability

Telefónica is a company that fosters **meritocracy** and **equal opportunities**. We therefore offer a **competitive and fair remuneration package** that can comprise fixed amounts and both short and long-term variable amounts (tied to the achievement of financial, business, value creation and sustainability targets, which should be specific, quantifiable and aligned with the Company's strategic plan). Additionally, we offer remuneration in kind and other social benefits adapted to local practices in the markets where we operate, allowing for customization and tax efficiency through flexible compensation plans.

Telefónica's professionals are **consistently** remunerated according to their level of responsibility, leadership and performance within the organisation. To maintain this premise, we ensure that we do not discriminate based on gender, age, origin, sexual orientation and identity, religion, disability or race when applying remuneration practices and policies.

Similarly, Telefónica is committed to ensuring that the salaries paid to all its employees are decent and always exceed what is considered to be the **'living wage'**. This not only allows basic needs to be met, but also guarantees good quality of life in each of the countries where the Group operates.

By way of example, the social benefits offered by the Company include universal health insurance for employees at all our operations, which covers the needs of people with disabilities. We also offer life insurance, a pension fund, share purchase programme, discount programmes, childcare assistance (including nursery services) and food assistance, among other things. All these benefits increase job quality.

Our social benefits are especially focused on improving well-being for our employees. They help to maintain physical and mental health while supporting their families and adapting healthcare coverage to new circumstances and needs.



For further information, see Chapter 2.9. Occupational health, safety and well-being.

The **emotional salary** is another relevant factor to foster the retention and motivation of our professionals and to attract the best talent. This is expressed through new ways of working, work-life balance, psychological well-being, a firm commitment to learning and professional development, and a culture of commitment and recognition of our employees.

Furthermore, Telefónica launched an **incentivized global share purchase plan** in 2022 - "Plan 100" - aimed at all employees of the Group, without exception. For every share bought under this plan, until it ends in 2024, Telefónica rewards the buyer with another share. As part of our Company's centenary celebrations, each employee who takes part in the plan will receive 100 additional shares for free.

Telefónica has different **social welfare systems** in each geographic region where we operate.

In Spain, most of the companies in the Telefónica Group have a complementary social welfare system in place that is channelled through two pension funds: Empleados de Telefónica de España, FP and Fonditel B, FP. Empleados de Telefónica de España, FP is a uni-plan while Fonditel B, FP is a multi-plan.

Both pension funds have been set up as private and voluntary Social Welfare Institutions that complement and are independent from the Public Social Security System.

The Pension Plans belong to the employment system and are based on defined contributions, with compulsory contributions from the fund promoters and participants.

Generally speaking, the ordinary compulsory contributions from the promoter of Telefónica de España, FP consist of 6.87% of the participant's base salary provided that the participant joined Telefónica de España before 1 July 1992 and 4.51% of the participant's base salary if they joined the Company after 30 June 1992. In turn, the participant must contribute 2.2% of their base salary.

In the case of Fonditel B, FP each pension plan has its own contribution scheme that, generally speaking, requires the promoter to contribute 4.51% of the participant's base salary while the participant must contribute 2.2% of their base salary.

At 31 December 2022, the number of participants and beneficiaries stood at 24.741 and 11,093 in Telefónica de España employees , FP and 17.345 and 195 under Fonditel B, FP.

The annual contributions from the sponsor in 2022 amounted to €39,6 million in Telefónica de España employees, FP and 26,1 under Fonditel B, FP.



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With regard to our Board of Directors, we have a Remuneration Policy for the Directors of Telefónica, S.A., which ensures compliance with best practices in the area of good governance.



For further information, see Chapter 5.1. Annual Report on Remuneration.

#### > Performance reviews

Telefónica has a worldwide performance review process for all employees of the Group. The same timetable, guidelines and tools are shared everywhere. Although the process is coordinated globally, it is managed locally so as to better adapt to the needs of our business.

# Percentage of employees subject to performance reviews

		2021	2022
Dygondor	Men	42%	48%
By gender	Women	45%	50%
By professional category	Executives	45%	50%
	Middle management	56%	53%
	Other professionals	42%	48%
	Total	43%	48%

The 2021 data are recalculated in such a way that the percentage of employees subject to performance review is calculated using the average workforce for the whole group.

# **2.6.3. Progress in 2022** GRI 404-1, 404-2, 404-3

#### > Skill development

Our SkillsBank skill development platform is available to more than 90,000 employees. 50,000 employees (35,000 in 2021) have already uploaded their profiles to it.

In 2022, our professionals completed more than **1.6 million courses**, with an average of 15 courses per employee and an average of 35 training hours per employee. It is important to note that our training offer has been digitalized almost in its entirety, up from 30% virtual activities in 2019 to 92% today, which means that, even though the number of hours of training may decrease, they are more targeted in terms of impact and relevance.

Furthermore, according to the annual motivation survey, 82% of our employees feel that learning has been incorporated into their day-to-day work, which represents an improvement of 2 p.p compared with 2021.



## A million Europeans reskilled

In 2022, the Chairman of Telefónica, José María Álvarez-Pallete, was elected as Chair of the Jobs, Skills and Impact Working Group of the European Business Round Table (ERT), an organisation made up by 60 of the largest companies in Europe.

Reskilling for Employment (R4E) is one of the most important projects being undertaken by this committee. It is aimed at helping to professionally reskill one million Europeans by 2025

Universitas ran a total of 84 programmes, impacting more than 11,000 people. Its goal is to strengthen our culture of lifelong learning by maintaining synchronous programmes. We achieved an NPS of 77, which is far above the average reflected by various training benchmarks in Spain.

We also have new programmes that focus on the skills identified as critical, such as **focus on the customer**, **growth mentality, experimentation and innovation**, so as to meet the needs expressed by the local operations and complement local upskilling and reskilling initiatives.

In 2022, we launched the Power of Connections programme, a key tool for developing the Telefónica culture.



Power of Connections, inspiration and motivation for 42,000 employees

Power of Connections, the most ambitious employee motivation programme ever carried out at Telefónica, was launched in 2022. It was designed to rally people around our purpose - "to make our world more human by connecting people's lives" – and to share a forward-looking vision and strengthen our culture. With support from over 1,000 specially trained internal facilitators, we organized an event for guided conversation between professionals. We also empowered employees to make a distinctive contribution to the history of our Company as we approach our centenary.



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#### Power of Connections, beyond training

#### universitas

Fresh shared energy: when we listen, when we share, when we feel truly united, we begin to learn and grow



**65**k

**42K** 

**20k** 

The largest event in the history of Telefónica employees invited

participants

completed the full programme

## 7,500 hours of guided conversation

1k employees trained to facilitate conversation

20k simultaneous connections

Every member of the Executive

Committee took part

How do you feel?

What thing in Telefonica are you passionate about?

In 2022, **78% of employees invested in the acquisition and development of new skills** that are needed for the future through different skill development programmes (reskilling/upskilling), from among which the following can be highlighted:

- In Spain, the Commercial Transformation Programme was consolidated in the B2B environment with a new, evolved edition in which more than 2,000 professionals participated. Aimed at all managers responsible for the commercial process (Customer Engineering, Sales Network and Project Leaders), it is leading to increased specialization by these teams and better customer relations. The new Professional of the Future programme was launched to evolve the roles of Sales Specialists, Key Sales Manager and Product Manager, promoting the Company's strategy and evolving their skills in order to maximize our business results.
- In Brazil, more than 4,000 people took advantage of various training programmes to either develop critical skills or evolve within the workplace for the purpose of improving organizational performance. This training was made possible through access to the largest online technology school in Brazil (Alura), which provides courses relating to front-end developers, DevOps, data science, UX and design, and training in Lean Six Sigma (which combines the Lean and Six Sigma approaches).
- More than 1,000 people in Germany took part in skill development programmes driven by different business areas for B2X and TECH profiles in order to ensure the development of critical skills (data and analytics, cloud, automation and UX/UI design), as well as in the Agile Learning Journey programme, which consists of expert knowledge on agile project management, design thinking, Objectives and Key Results (OKR), roles and

leadership in an agile context, and Scrum Master and Product Owner content.

 In Hispanoamerica, we developed critical profiles through three specialized programmes—Technological School (IT & Network), Data School and Digital Marketing School – in partnership with ITBA and Udemy. More than 2,300 people took part in these programmes. Furthermore, over 4,000 people used the Agile Lean Academy (available to the entire workforce) to learn more about agile methodologies, the OKR management system, scrum and Kanban frameworks, lean thinking and design thinking.

All these initiatives form part of the strategic skill-related preparation that we undertake via the **Skills Workforce Planning** process.

In addition to the training focused on the critical skills we need for the future, we run lifelong learning initiatives on digital and business skills to ensure that the entire workforce has the latest knowledge on these issues.



For more information, see chapter 2.8. New ways of working

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## > Attracting new talent

In 2022, we continued to boost our young talent, while investing in new skills through selective recruitment processes, by means of various programmes such as Talentum in Spain, 42 and the "estagio" apprenticeship programme in Brazil, for which 750 vacancies were created. 50% of those vacancies were mean to be filled by black candidates. In 2022, 60% of the new hires were under 35, which is 5% more than in 2021.

Talentum has handed out more than 6,000 grants over its ten-year history, with 2,600 (nearly 44%) grant recipients later becoming new hires.



#### > Performance review model

In 2022, we began to design a new employee assessment model based on conversations between managers and employees. The goal is to provide feedback that can boost well-being and growth for both our professionals and business.

At Telefónica, we are changing our performance review model to bring it into line with the flexible work model and new professional skills.



In turn, Telefónica Spain launched a new conversations model for growth that falls under the new teleworking model agreed with the workers' representatives. 94.7% of employees were assessed in 2022. 81.5% involved conversations with their corresponding managers aimed at boosting flexibility, trust, skill development and commitment. In order to implement this work dynamic, employees form part of a learning community that offers webinars, workshops and training pills.

**81% of employees in Spain** (according to our annual motivation survey) believe there is frequent dialogue between manager and employee. This is a **12 p.p increase** when compared with 2021, which reflects the positive impact that the new model is having.

In 2022, we encouraged mobility between the different areas of Telefónica so that 15,440 employees could find new professional opportunities within the Group.

In the latest 2021 performance review, which was conducted between March 2021 and March 2022, a total of **49,611 employees were assessed.** 

#### > Remuneration strategy

34% of Telefónica employees are shareholders in the Company. In 2022, we launched the 5th edition of an **incentivized global share purchase plan,** the "Plan 100", which has been offered to **all employees of the Group.** A total of 28,621 employees signed up to the plan, of which 12,000 did so for the first time.

#### Recognition

- For yet another year, we were among the five highest rated companies on the list of 25 Top Companies on LinkedIn. This list recognizes the Spanish companies that foster the long-term professional success of their employees.
- SkillsBank, a Telefónica initiative, was recognized as one
  of the most innovative in terms of people management
  at the 20th edition of the Expansión Awards for
  Innovation in Human Resources
- Randstad Employer Brand Research recognized Telefónica as the most attractive telecommunications company to work for in Spain.



## **MILESTONES**

- → 42,000 people got involved in Power of Connections, a programme aimed at inspiring and aligning our employees with the Telefónica purpose and culture.
- → Our Talentum Spain scholarship programme reached its tenth year in 2022, with more than 6,000 scholarships.
- → 82% of employees feel that learning forms part of their day-to-day working lives.



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## 2.6.4. Turnover indicators

GRI 2-7, 401-1, 401-3

## > New employee hires

Total number and rate of new hires by age group, gender and region

Region	Age group	M	en	%	6	Wo	men	%	, •	То	tal
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	More than 50	89	180	6%	8%	158	81	10%	4%	247	261
	From 35 to 50	336	583	21%	25%	381	395	24%	17%	717	978
	Under 35	347	633	22%	28%	292	427	18%	19%	639	1,060
Brazil	More than 50	182	147	2%	2%	97	147	1%	2%	279	294
	From 35 to 50	1,393	1,199	15%	15%	1,141	1,203	12%	15%	2,534	2,402
	Under 35	3,073	2,497	33%	31%	3,427	2,761	37%	35%	6,500	5,258
Spain	More than 50	1,950	915	13%	7%	1,621	766	11%	6%	3,571	1,681
	From 35 to 50	2,771	2,182	18%	18%	1,789	1,521	12%	12%	4,560	3,703
	Under 35	4,152	3,985	27%	32%	2,990	3,013	20%	24%	7,142	6,998
Others	More than 50	124	44	14%	9%	36	19	4%	4%	160	63
	From 35 to 50	252	172	28%	34%	103	47	11%	9%	355	219
	Under 35	257	155	28%	30%	137	73	15%	14%	394	228
Hispam	More than 50	172	103	4%	2%	35	17	1%	0%	207	120
	From 35 to 50	1,271	882	27%	21%	598	445	13%	10%	1,869	1,327
	Under 35	1,610	1,723	34%	41%	1,095	1,084	23%	25%	2,705	2,807
Group Total	More than 50	2,517	1,389	8%	5%	1,947	1,030	6%	4%	4,464	2,419
	From 35 to 50	6,023	5,018	19%	18%	4,012	3,611	13%	13%	10,035	8,629
	Under 35	9,439	8,993	30%	33%	7,941	7,358	25%	27%	17,380	16,351

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## > Employee turnover

## Total number and employee turnover rate by age group, gender and region

Region	Age group	Me	en	%	6	Wor	nen	%	,	To	tal	%	
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	More than 50	224	110	3%	1%	288	74	4%	1%	512	184	7%	2%
	From 35 to 50	538	319	7%	4%	503	265	7%	3%	1,041	584	14%	8%
	Under 35	391	320	5%	4%	338	207	4%	3%	729	527	10%	7%
Brazil	More than 50	251	274	1%	1%	153	128	0%	0%	404	402	1%	1%
	From 35 to 50	1,698	1,529	5%	4%	1,386	1,137	4%	3%	3,084	2,666	9%	8%
	Under 35	2,633	2,149	8%	6%	2,841	2,250	8%	6%	5,474	4,399	16%	13%
Spain	More than 50	1,982	2,680	7%	10%	1,620	1,397	6%	5%	3,602	4,077	13%	15%
	From 35 to 50	2,666	1,961	9%	7%	1,793	1,449	6%	5%	4,459	3,410	16%	12%
	Under 35	3,976	3,575	14%	13%	2,896	2,849	10%	10%	6,872	6,424	24%	23%
Others	More than 50	826	29	24%	3%	406	9	12%	1%	1,232	38	35%	3%
	From 35 to 50	1,706	49	49%	4%	1,104	28	32%	2%	2,810	77	81%	7%
	Under 35	1,546	46	45%	4%	1,145	12	33%	1%	2,691	58	77%	5%
Hispam	More than 50	1,257	770	4%	2%	318	216	1%	1%	1,575	986	5%	3%
	From 35 to 50	1,958	1,081	6%	3%	1,059	665	3%	2%	3,017	1,746	9%	6%
	Under 35	1,646	1,223	5%	4%	1,198	875	4%	3%	2,844	2,098	9%	7%
Group	More than 50	4,540	3,863	4%	4%	2,785	1,824	3%	2%	7,325	5,687	7%	6%
Total	From 35 to 50	8,566	4,939	8%	5%	5,845	3,544	5%	3%	14,411	8,483	13%	8%
	Under 35	10,192	7,313	9%	7%	8,418	6,193	8%	6%	18,610	13,506	17%	13%

The turnover percentage is calculated by dividing the number of leavers by the average workforce.

## Involuntary leavers (dismissals) by gender

Region	Men		Wome	n	Total	
	2021	2022	2021	2022	2021	2022
Germany	408	121	305	45	713	166
Brazil	2,381	2,236	2,603	2,075	4,984	4,311
Spain	130	1,866	99	684	229	2,550 <sup>1</sup>
rest	57	19	27	10	84	29
Hispam	2,229	1,184	1,033	553	3,262	1,737
Group Total	5,205	5,426	4,067	3,367	9,272	8,793

Several voluntary redundancy schemes came to an end in Spain over the course of 2022.

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## Involuntary leavers (dismissals) by age group

Region	More than 50		From 35 to 50		Under	35	Total		
	2021	2022	2021	2022	2021	2022	2021	2022	
Germany	223	26	308	61	182	79	713	166	
Brazil	304	288	1,705	1,577	2,975	2,446	4,984	4,311	
Spain	64	2,358	122	138	43	54	229	2,550 <sup>2</sup>	
Others	27	13	33	11	24	5	84	29	
Hispam	1,361	812	1,183	645	718	280	3,262	1,737	
Group Total	1,979	3,497	3,351	2,432	3,942	2,864	9,272	8,793	



For further information, see chapter 2.8. New ways of working.

## Involuntary leavers (dismissals) by professional category

Region	Executiv	Executives		agement	Other Profe	ssionals	Total		
	2021	2022	2021	2022	2021	2022	2021	2022	
Germany	3	5	39	11	671	150	713	166	
Brazil	129	112	254	717	4,601	3,482	4,984	4,311	
Spain	19	58	13	180	197	2,312	229	2,550 <sup>3</sup>	
Others	3	4	8	12	73	13	84	29	
Hispam	92	40	330	192	2,840	1,505	3,262	1,737	
Group Total	246	219	644	1,112	8,382	7,462	9,272	8,793	

Several voluntary redundancy schemes came to an end in Spain over the course of 2022.

<sup>3</sup> Several voluntary redundancy schemes came to an end in Spain over the course of 2022.



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## Voluntary leavers (resignations) by age group, gender and region

Region	Age group	M	en	9	6	Wo	men	9	6	То	tal	9	6
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	More than 50	11	17	0.1%	0.2%	9	14	0.1%	0.2%	20	31	0.3%	0.4%
	From 35 to 50	62	87	1%	1.1%	44	60	1%	0.8%	106	147	1%	1.9%
	Under 35	72	128	1.0%	1.7%	61	56	0.8%	0.7%	133	184	1.8%	2.4%
Brazil	More than 50	29	63	0%	0.2%	20	35	0%	0.1%	49	98	0%	0.3%
	From 35 to 50	648	580	1.9%	1.7%	480	427	1.4%	1.2%	1,128	1,007	3.3%	2.9%
	Under 35	1,155	971	3.3%	2.8%	1,157	926	3.3%	2.7%	2,312	1,897	6.7%	5.5%
Spain	More than 50	30	31	0%	0.1%	18	21	0%	0.1%	48	52	0%	0.2%
	From 35 to 50	132	200	0.5%	0.7%	87	78	0.3%	0.3%	219	278	1.0%	1.0%
	Under 35	132	215	0.5%	0.8%	72	100	0.3%	0.4%	204	315	0.7%	1.2%
Others	More than 50	19	14	0.6%	1.2%	7	3	0.2%	0.3%	26	17	0.8%	1.5%
	From 35 to 50	54	31	1.6%	2.7%	18	12	0.5%	1.1%	72	43	2.1%	3.8%
	Under 35	106	32	3.1%	2.8%	95	8	2.7%	0.7%	201	40	5.8%	3.5%
Hispam	More than 50	32	52	0.1%	0.2%	12	19	0.0%	0.1%	44	71	0.1%	0.2%
	From 35 to 50	364	420	1.1%	1.3%	169	231	0.5%	0.7%	533	651	1.6%	2.1%
	Under 35	504	576	1.5%	1.8%	355	463	1.1%	1.5%	859	1,039	2.6%	3.3%
Group	More than 50	121	177	0.1%	0.2%	66	92	0.1%	0.1%	187	269	0.2%	0.3%
Total	From 35 to 50	1,260	1,318	1.2%	1.3%	798	808	0.7%	0.8%	2,058	2,126	1.9%	2.1%
	Under 35	1,969	1,922	1.8%	1.9%	1,740	1,553	1.6%	1.5%	3,709	3,475	3.5%	3.4%

The voluntary turnover percentage is calculated by dividing the number of leavers by the average workforce.

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#### **Turnover by type of leaver**

Region		untary vers <sup>4</sup>	9	6	Volui leav	-	%	6	Chang perim and in moven	eter ternal	9	6	Oti leav	her ers <sup>7</sup>	9	<b>%</b>	То	tal
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	713	166	31.2%	12.8%	259	362	11.4%	28.0%	526	23	23.1%	1.8%	784	744	34.4%	57.5%	2,282	1,295
Brazil	4,984	4,311	55.6%	57.7%	3,489	3,002	38.9%	40.2%	468	151	5.2%	2.0%	21	3	0.2%	0.0%	8,962	7,467
Spain	229	2,550 <sup>8</sup>	1.5%	18.3%	471	645	3.2%	4.6%	3,863	163	25.9%	1.2%	10,370	10,553	69.4%	75.9%	14,933	13,911
Others	84	29	1.3%	16.8%	299	100	4.4%	57.8%	6,287	7	93.4%	4.0%	63	37	0.9%	21.4%	6,733	173
Hispam	3,262	1,737	43.9%	36.0%	1,436	1,761	19%	36.5%	1,848	210	24.9%	4.3%	890	1,122	12.0%	23%	7,436	4,830
Group Total	9,272	8,793	23%	32%	5,954	5,870	14.8%	21.2%	12,992	554	32.2%	2.0%	12,128°	12,459	30.1%	45.0%	40,346	27,676

<sup>%</sup> calculated on the total number of leavers.

Relevant indicators VMED 02 UK:

Leavers VIMED O2 UK: Total leavers = 4,580; Voluntary leavers = 2,627; Involuntary leavers = 1,953

## Average turnover on the average workforce by type of leaver

Region	Involuntary	leavers	Voluntary I	eavers	Change of pe and inte moveme	rnal	Other lea	ivers	Total	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	9.4	2.2	3.4	4.7	6.9	0.3	10.3	9.6	30.1	16.8
Brazil	14.4	12.4	10.1	8.7	1.4	0.4	0.06	0.0	25.9	21.5
Spain	0.8	9.3	2	2.4	13.5	0.6	36.2	38.6	52.1	50.9
Others	2.4	2.6	8.6	8.8	181.0	0.6	1.8	3.3	193.9	15.3
Hispam	9.8	5.5	4.3	5.6	5.6	0.7	2.7	3.6	22.4	15.3
Group Total	8.6	8.6	5.5	5.7	12.1	0.5 <sup>10</sup>	11.3	12.2	37.6	27.0 <sup>11</sup>

Average Turnover stands for leavers / average workforce.

<sup>&</sup>lt;sup>4</sup> Dismissals.

<sup>5</sup> Resignations.

<sup>&</sup>lt;sup>6</sup> Departures owing to a change to another company within the scope of consolidation of the Group or owing to a change of scope (departure to another company beyond the scope of consolidation of the Group).

Attrition due to leave and/or works/service contracts.

<sup>8</sup> Several voluntary redundancy schemes came to an end in Spain over the course of 2022.

<sup>9 74%</sup> of leavers correspond to Tempotel, a human resources management company of the Telefónica Group specialised in hiring extras for audiovisual productions. These employees are contracted for ad hoc events (such as the participation in audiovisual productions) and for this reason their labour relationship frequently lasts for less than 1 month. 10 The second seco

The reduction in average turnover per workforce when compared with 2021 is due to the scope changes; i.e. removal of the United Kingdom operator.

The total turnover percentage when excluding Tempotel (Temporary employment agency) would fall to 17.87%.

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Parental leave	Men	Women	Total
Total number of employees who were entitled to parental leave	17,531	9,880	27,411
Total number of employees who took parental leave	524	227	751
Total number of employees who returned to work during the period subject to this report after concluding their parental leave	521	244	765
Total number of employees who returned to work after concluding their parental leave and who were still employed by Telefónica 12 months after returning to work	468	209	677
Rate of return to work by employees who take parental leave	99%	98%	99%
Rate of retention for employees who took parental leave in the last 12 months	92%	90%	91%

The data on this indicator are based on the number of employees included within the scope for Spain. Nonetheless, it is important to clarify that all employees of the Group (regardless of where they perform their role) are entitled to parental leave, whether under the legislation of the country or the local collective bargaining agreement. We are working to obtain and report these data globally in future financial years.

Retention rate: The number of employees who remain in their post 12 months after returning to work following maternity or paternity leave / the number of employees who return to work after concluding such leave in the previous year.

## 2.6.5. Commitment and motivation

## **Employee Net Promoter Score (eNPS)**

Region	eNPS	Total	eNPS	Men	eNPS W	lomen
	2021	2022	2021	2022	2021	2022
Germany	60	66	57	64	66	70
Argentina	57	59	60	62	53	53
Brazil	80	84	77	80	84	88
Chile	68	77	67	79	68	74
Colombia	80	82	80	81	81	83
Ecuador	65	80	68	80	61	80
Spain	63	54	61	54	67	54
Mexico	70	74	68	74	73	75
Peru	39	49	37	50	41	48
Uruguay	63	83	56	84	70	83
Venezuela	86	69	83	70	89	68
Others	38	48	34	48	45	47
Hispam	63	67	63	68	64	65
Group Total	67	69	64	67	71	72

See definition in chapter 2.6.2. Action plan and commitments.

Rate of return to work by employees who take parental leave: The number of employees who return to work after taking maternity or paternity leave / the number of employees who should return to work after taking such leave.

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## 2.6.6. Training indicators

GRI 404-1

#### Total training hours by professional category, gender and region

Region Training hours		Executive training hours men		training hours training hours		Middle management training hours men		Middle management training hours women		Other professionals training hours men		Other professionals training hours women		
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	130,993	97,040	1,331	1,205	689	721	7,411	5,890	2,770	1,970	69,666	57,358	49,126	29,897
Brazil	2,562,667	1,868,478	15,187	17,078	8,379	10,556	56,275	53,272	60,004	44,799	1,114,088	737,513	1,308,733	1,005,261
Spain	716,580	865,223	19,173	24,775	9,345	14,228	35,184	59,900	17,497	33,213	418,530	469,770	216,852	263,337
Others	94,756	4,769	906	667	485	126	8,859	1,743	3,733	769	47,751	814	33,022	650
Hispam	673,669	767,456	7,382	10,114	3,386	4,870	43,142	42,419	24,663	30,753	335,209	375,195	259,887	304,104
Group Total	4,178,665	3,602,967	43,980	53,839	22,285	30,501	150,871	163,224	108,666	111,504	1,985,243	1,640,650	1,867,620	1,603,249

Investment in training in 2022 amounted to  $\leq$ 25.1 million. Average investment per employee stood at  $\leq$ 272. Ratio calculated on 93% of the Group's workforce (FTE) at year end.

## Training hours per employee; by professional category, gender and region<sup>1</sup>

Training hours per Region employee		per	Executive training hours per employee men		Executive training hours per employee women		Middle management training hours per employee men		Middle management training hours per employee women		Other professionals training hours per employee men		training hour	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Germany	17	13	8	7	12	12	14	11	17	12	17	14	19	11
Brazil	74	54	14	16	16	18	38	32	103	55	64	43	97	75
Spain	25	32	19	23	19	27	26	31	28	34	26	32	24	31
Others	27	4	7	11	7	9	24	10	7	10	29	1	21	3
Hispam	20	24	13	19	15	21	19	21	24	33	18	21	24	29
Group Total	39	35	15	18	16	21	25	26	42	38	35	30	51	46

The training hours calculation from 2021 was reviewed for 2022, ensuring compliance with the scope contained in this report and enabling year-on-year comparisons. Although the Group had a similar number of employees in 2022, the number of training hours fell when compared with 2021 due to the deconsolidation of the UK from the scope and the new legal entities that were incorporated but have yet to be included in the learning systems

## Training hours per employee; by type of contract

Type of contract	2022
Permanent contracts	3,564,270
Temporary contracts	38,697



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# 2.7. Diversity and Inclusion

#### **KEY POINTS**



We have created an inclusive working environment, respecting diversity at all levels, In our annual motivational survey, 91% of our employees reported feeling included at work.



For the sixth consecutive year, we formed part of the Bloomberg Gender-Equality Index.



In 2022, we committed to deepening our talent pool with the objective of doubling the number of employees with disabilities in the workforce by 2024.

## 2.7.1. Vision

At Telefónica, diversity, in addition to fulfilling the principles of social justice, helps us to achieve better business results. We therefore design initiatives aimed at promoting diversity in our teams and fostering an organizational culture of equity, diversity and inclusion.

Diversity management helps us to attract and retain highpotential professionals, get the best out of our employees, empathise with our customers and innovate.

#### 2.7.2. Governance

We have internal bodies and roles that monitor our progress on equality, diversity and inclusion. These bodies also monitor compliance with performance indicators and alignment with strategic targets and ensure the involvement of senior management.

- Global Diversity Council: made up of top-level executives. It aims to implement and monitor the Company's diversity strategy.
- Transparency Committee: made up of the Chairman and four executives, it ensures the presence of both genders in the shortlists for internal and external selection processes for management positions.

- Chief Diversity Officer: this role supports the Diversity Council and the People department. This officer is a member of the Executive Committee of Telefónica, S.A.
- Diversity Champions: team leaders who act as internal change agents in all areas of the Company.
- Monitoring Committees for local Equality Plans.

#### 2.7.3. Policies

They govern the Company's commitment to diversity and inclusion:

- · The Group's Diversity and Inclusion Policy: the policy guarantees equal opportunities and nondiscriminatory, fair and impartial treatment of people in all areas of our Company, without prejudice associated with nationality, ethnic origin, skin color, marital status, family responsibility, religion, age, disability, social status, political opinion, HIV or health status, gender, sex, sexual orientation, or gender identity or expression.
- · The Diversity Policy in relation to the Board of **Directors and the Selection of Directors**: this ensures that proposals to appoint or re-elect Directors are based on a prior analysis of the competencies required by the Board of Directors, favoring diversity in terms of knowledge, experience, age and gender.



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- Global Equality Policy: approved by the Board of Directors in 2022, it establishes the Company's commitment to the implementation and dissemination of a set of basic measures with regard to gender equality in all countries where the Group operates.
- Protocol for Action in Situations of Workplace or Moral Harassment, Sexual Harassment and Discrimination: this policy establishes a framework for action in cases of harassment or discrimination.

# **2.7.4.** Action plan and commitments GRI 3-3

Telefónica's strategic lines for diversity and inclusion are established globally by the Global Diversity Council. This strategy is adapted and developed locally, taking into account the business priorities and the sociocultural context of each country.

Our starting point is to ensure that our workforce is representative of the diversity existing in the societies in which we operate and that it is managed with an inclusive culture and leadership style. In this way, our employees feel comfortable to be themselves and can give their best.

In order to move forward, we have made a number of commitments in the short, medium and long term. In the short term, we have set a **target of attaining 33% of women directives** and an **adjusted gender pay gap of +/- 1% by 2024**. We achieved this target ahead of schedule, in 2022. In addition, we want to **double the number of employees with disabilities** by the same year.

In the medium term, we aim to achieve gender parity in the Company's highest governing bodies by 2030, while in the long term our north star is to eliminate the gross gender pay gap.

For further information on Telefónica's diversity and inclusion targets:



For further information, see chapter 2.5. Human capital.

#### > Committed to equal opportunities

The Global Diversity and Inclusion Policy ensures equal treatment and equal opportunities. It promotes working conditions that prevent workplace and sexual harassment, in both a face-to-face and a digital environment, and establishes specific procedures for its prevention.

In addition, our Responsible Business Principles course, which is mandatory for all employees, includes a training module on workplace and sexual harassment. At a local level, equality plans establish protocols for action in cases of workplace and sexual harassment.

Besides, the **whistleblowing channel** allows all employees and stakeholders to report, anonymously or personally, if they experience any form of discrimination.



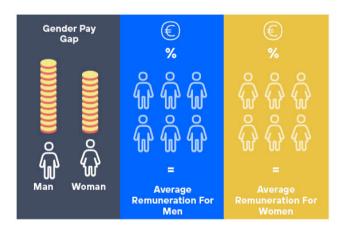
For further information, see chapter 2.17. Ethics and compliance.

### > Committed to equal pay: closing the pay gap

At Telefónica, we apply the **principle of equal pay** for equal work or for work of equal value. That is to say, we compensate equally for equal work regardless of the employee's gender.

We carry out detailed analyses of gender pay data within the Group in order to identify possible inequalities and establish measures to rectify them. We do this by considering all items related to salary, benefits and other short and long-term incentives, i.e. all payments received by the employee during the year.

Gender **pay inequalities** or gender pay gaps are based on a comparison between the average total pay of men versus the average total pay of women in the workforce.



In making this comparison, it is important to understand the way the comparison is made, what items are included and how the difference between the average total pay of men and women is measured.

Pay gap =

average men remuneration - average women remuneration

average men remuneration



equal pay for positions of equal value.

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When calculating it, in addition to gender, if we take into account country, legal entity, professional category, functional area in which each employee works, seniority and working time pattern (full-time or part-time), we would be talking about an adjusted pay gap (0.74% in 2022). This concept allows us to approach pay equity:

If we only compare average total pay, without considering factors other than gender, we would be talking about the gross pay gap (which was reduced to 16.80% in 2022). Closing this gap involves structural, social and cultural changes that require a long-term commitment. Therefore, at Telefónica, we are working along five lines to pursue this ambition. The basis for moving forward is to ensure equal pay in equal circumstances, which is why we were two years ahead of schedule in meeting the target of reducing the adjusted gender pay gap to +-1% by 2024.

#### Telefónica is working on five lines of action to eliminate the gender pay gap

- · Ensuring equal pay. As a starting point, we must ensure that men and women earn the same pay for the same job.
- · Increasing the proportion of women in leadership and income generation positions (40% in 2022).
- Promoting gender parity in the Company's highest governing bodies.
- · Strengthening the commitment to work-life balance and co-responsibility. Seven out of ten employees with reduced working hours are women. Awareness-raising and new models of flexible working are key elements to reverse this situation.
- · Increasing the weight and prominence of women in digital and STEM environments. Currently, 21% of the Company's STEM positions are held by women. We promote initiatives to attract and give visibility to our female digital talent, since we believe it to be critical for the social and economic progress.

According to international estimates, equal pay between women and men will not be achieved until 2157<sup>1</sup>. At Telefónica we aspire to achieve it by 2050.

#### > Programmes and actions to promote diversity and inclusion

In Telefónica, we encourage the recruitment of female talent, young talent and/or talented people with disabilities through "Talentum" scholarships and other initiatives.

Aware of the low participation of women in digital professions, we encourage women to pursue digital and STEM careers through a number of initiatives, including our internship programmes. In addition, we develop career acceleration and visibility enhancement programmes for female employees, which aim to train them in leadership skills and enrich their network of contacts.

Furthermore, we implement measures to facilitate a worklife balance and promote a cultural change with the aim of encouraging co-responsibility for care among our male and female employees, after identifying that a lack of coresponsibility hinders women's professional development.



For further information, see chapter 2.8.New ways of working.

We are committed to doubling the number of employees with disabilities globally over the next two years to reach over 2,700 people by 2024.





With regard to people with disabilities, in line with the 2024 target, we support their integration through agreements with external entities specialized in the search for professionals with disabilities. In addition, we offer resources to facilitate teamwork, such as the guide "Disability at Work: Everyone's Responsibility".

At the same time, we work to ensure the accessibility of our facilities, communication channels, products and services.



For further information, see chapter 2.10. Digital inclusion.

In terms of generational diversity, we have programmes for talent development and empowerment of young professionals. We are positive that attracting the best young talent is key to driving digital transformation. Additionally, we have initiatives to promote the employability of over-50s.

Global Gender Gap 2021 (World Economic Forum)



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Regarding **racial diversity**, in those locations where legislation allows for it, we monitor the number of employees by ethnicity and have initiatives to attract and promote leadership among ethnic minority professionals.

We are also committed to ensuring that our **LGBT+ employees** work in environments where they can give their best. In this regard, we have specific initiatives to attract and promote the development and well-being of transgender people.

We have also implemented measures that have an impact on the family of our employees:

- We offer specific benefits for LGBT+ couples and parents that go beyond the legal requirements.
- Telefónica has ATAM, a private social protection system for the families of employees with disabilities and dependency. The association offers comprehensive expert advice and direct financial support.

Furthermore, in relation to our **supply chain**, we include diversity criteria in the assessment of our high-risk suppliers through an external tool. In addition, we are increasing the range of social suppliers, particularly **Special Employment Centers,** in which most of the employees have a recognized disability, on our procurement platform.



For further information, see chapter 2.16. Responsible supply chain management.

### > Awareness-raising and affinity groups

The value of differences, awareness of unconscious bias and prejudice, and the importance of inclusive leadership are some of the issues we address in our workshops, manuals and online courses. Besides, we offer training for departments and individuals with key roles to play in supporting the inclusion of all employees.

In addition, we have conducted **mandatory diversity** workshops for members of the Board of Directors.

We also have **affinity groups** for LGBT+ employees, employees with disabilities, employees of different ethnicities, young people and women. These groups, as well as giving visibility to their members, help to raise awareness and sensitize the workforce as a whole.

At a local level in Brazil, each month we focus our efforts on an internal awareness campaign on a specific diversity issue

## > We assume our responsibility as a leader in social issues

Telefónica collaborates **to close gender gaps in society**. Along these lines, we encourage women to take up digital and STEM careers and entrepreneurship. Through Scale Up Women, women entrepreneurs improve their network of contacts and seek new business opportunities.

In addition, we work with and financially support organizations whose mission is to defend gender equality, LGBT+ people, people with disabilities and ethnic diversity.

Mujeres en Red is a Telefónica initiative that seeks to increase the participation of women in the telecommunications sector in Latin America. About 1,000 women work in companies collaborating with the programme, which has been recognised by Global Compact for its good practices in sustainable development.



#### > Partnerships

In line with our commitment, we have joined different global initiatives which seek to promote the economic and social empowerment of diverse demographic groups, particularly in the workplace, such as:

- On a global level, the Women's Empowerment Principles, led by UN Women and the United Nations Global Compact.
- The GSMA Principles for driving digital inclusion for people with disabilities.
- The Valuable 500 initiative, through which we made four specific commitments to raise the profile of disability on the global agenda.



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For further information, see chapter 2.16. Governance and a culture of sustainability

In relation to the **pay gap**, we reduced the adjusted pay gap to 0.7%, exceeding the group-wide target of 1% by 2024.

To achieve our targets in all areas of diversity, in addition to having diverse teams, an **inclusive leadership** style is essential. Along these lines, in 2022, the Breaking Point leadership development and training programme nurtured these skills among 900 leaders in Spain.

With the aim of **promoting equality** at all hierarchical levels and closing the gender pay gap, in 2022 we implemented a number of initiatives to accelerate the careers of our female employees, develop the pipeline of pre-executive talent and attract female talent. We provide some examples below.

- Empowering Women, which is aimed at promoting female leadership among all the women in the Company. It addresses the key issues and barriers faced by women who want to lead. Approximately 250 women participated in 2022.
- The Futura leadership programme in Hispanoamerica, which started its second edition, involving over 230 participants.
- Programmes seeking to promote STEM positions among women. In Brazil, the Women in Technical Areas Programme grew to 300 professionals.

In addition, we strive to ensure a working environment free of **sexual harassment**. To achieve this, in Hispanoamerica, we implemented a tool that allows us to easily identify possible cases of harassment by using artificial intelligence (AI).

Outside the confines of the Company, we are also working to promote the presence of **women and young people in STEM careers** and entrepreneurship through a total of 102 programmes and initiatives. These include Mujeres4Tech, #SheTransformsIT, Girls Love Tech and the STEAM Alliance for Female Talent, promoted by the Spanish Ministry of Education and Vocational Training.

Along these lines, in 2022, in addition to publishing the percentage of women in STEM positions (21%) at Telefónica, we calculated and made public for the first time the percentage of women in IT positions (25%) and in R&D (43%).

We also promoted, together with ClosinGap, the report "The opportunity cost of the gender gap in digital professions", with the aim of raising awareness and sparking the necessary debate in society, which will enable us to adopt measures to redress existing

 The UN Standards of Conduct for Business to protect the rights of LGBT+ people. Locally, we have partnerships with entities such as FELGTB and REDI in Spain, Stonewall in the UK, and the Fórum de Empresas e Direitos LGBTI+ and TransEmpregos in Brazil.

- ClosinGap, the group of companies committed to close the gender gap in Spain; Yo No Renuncio, the network of companies which aim to promote a better work-life balance, in the same country; and, in Germany, the initiative to eliminate gender stereotypes in the professional world, Chefsache.
- In Brazil, we participate in Movimento Mulher 360 and the Business Coalition to End Violence Against Women and Girls. In addition, we are signatories to the Pact for Inclusion and also the Business Network for Social Inclusion, and are part of the Business Initiative for Racial Equality and the Business Coalition for Racial and Gender Equality.
- In the UK, we work with 20/20 Change to empower and boost the careers of young people from ethnic minorities

## 2.7.5. Progress in 2022

The Company's commitment to diversity and inclusion is reflected in the fact that, in 2022, **91% of Telefónica employees said they work at a company where they feel included**, and where equal opportunities are promoted, according to the annual climate survey, which is an all-time high.

#### > Gender equality

In October 2022, Telefónica's Board of Directors approved the first edition of the **Global Equality Policy**, which acts as a framework for the development of the various equality plans in each of the companies that form part of Telefónica.

In addition, in 2022, the Company's chairman signed up to the **Women's Empowerment Principles**, bringing a global dimension to a partnership that has so far been in place in Brazil, Mexico, Venezuela, Uruguay, Argentina, Colombia and Ecuador.

In relation to the fulfillment of corporate targets, in 2022 33.3% of members on the Board of Directors were women, and we managed to increase this percentage by 1.8 p.p., reaching a total of 31.3%<sup>2</sup> of women directors. This brings us closer to meeting our target of 33% in 2024. The yearly achievement of this target has seen its weighting in the calculation of our employees' annual remuneration triple from 1% in 2021 to 3% in 2022.

<sup>&</sup>lt;sup>2</sup> In 2022, minor adjustments have been implemented in the formula for calculating the percentage of women directors. Maintaining the 2021 criteria, the figure would be 31.2%.



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inequalities. With the same aim, we joined the "Yo No Renuncio por la conciliación" network of companies, focusing on promoting work-life balance and coresponsibility between men and women.

#### > Disabilities

In terms of our approach to **disability** in the workplace, our Global Diversity Council approved a new, global corporate target in October 2022 to double the number of people with disabilities in the workforce by the end of 2024. In line with this target, last year we signed a number of agreements with entities that help us identify candidates with disabilities, who have skills that meet the Company's needs, with an emphasis on attracting professionals with different types of disabilities.

"For Telefónica, contributing to providing opportunities for people with disabilities is not only an ethical imperative, but also a question of talent and business. In the current context, no company can afford to do without any valuable professional".

José María Álvarez-Pallete, Chairman of Telefónica.

In Brazil, over 300 people with disabilities were hired in 2022 alone. In addition, 170 exclusive vacancies were opened for people with disabilities to work in shops and administrative positions, and, as part of the Explore+ programme, 100% of the cost of training our employees with disabilities for short-term undergraduate and postgraduate degrees was subsidized.

In Spain, through the Include Programme, developed with Fundación GoodJob, we trained people with disabilities in cybersecurity, cloud, automation and robotisation. Furthermore, in 2022 we joined the Generation Valuable programme, promoted by The Valuable 500 initiative, which involves the mentoring of high-potential employees with disabilities in participating companies.

We enhanced our disability awareness programme for all employees, with information on the different types of disabilities and tools to promote equal treatment. We also provided specific sessions for team leaders, given their special responsibility.

In relation to our supply chain, in 2022 we increased our selection of Special Employment Centres, suppliers that have at least 70% of employees with disabilities, reaching a total of 39, and we disseminated this figure among our buyers in Spain.

Beyond the confines of our Company, in 2022 we worked to train elderly people and people with disabilities in the digital skills required by the market. Through our foundation, we served over 88,000 people with disabilities. Further information on social action in the area of diversity, disability and universal accessibility is available in the Fundación Telefónica Annual Report located at https://en.fundaciontelefonica.com/get-to-know-us/annual-report/.

#### > Generational diversity

In terms of **young talent**, in 2022 we launched new programmes such as Learn 2 Grow, a transformation programme that has empowered 370 young professionals in Spain; the Digital Transformation Development Programme, which offers an individual personalized plan for young people in Germany; and Generación Movistar, which has invited 70 young people from Hispanoamerica to develop a project that will boost their careers. In the UK, we partner with Future Careers to promote the development of young talent. During the year, Telefónica also supported the Sondersland youth employability and empowerment event.

In Germany, aware of the aging demographic situation in the country, we have promoted internal mobility and the inclusion of **all age groups** in our development programmes in order to leave no one behind and to get the best out of all our people. In addition, in Brazil, we strengthened the "+50 project", which encourages recruitment of people over 50 to work in our shops.

#### > Ethnic diversity

With regard to diversity by **origin or ethnicity**, in Brazil we placed greater emphasis on our programmes and actions to promote black talent. For example, in 2022, 50% of internship grants were allocated exclusively to black people. Similarly, we reached 213 employees through our career development programme and offered 50 vacancies in leadership positions exclusively for black people. In addition, we stepped up awareness-raising among our leaders on the issue through the *Raça em Foco* programme. All these initiatives have resulted in us having a workforce with 33% of employees who identify themselves as black. In relation to leadership positions, the target is to increase the percentage of black employees in these roles from the current 22% to 30% by 2025.

Similarly, in the UK we set ourselves targets for the next three years: 25% ethnic minority employees and at least 15% in leadership positions. In addition, we have promoted agreements, training and mentoring programmes to empower young people from ethnic minorities and boost their careers.

#### > LGBT+

With regard to **LGBT+ diversity**, in 2022 we continued to strengthen our affinity groups. It is worth highlighting that, in Hispanoamerica, we launched our "Sostener" network, which since its creation has promoted at least one awareness-raising action per month in the region.





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Consolidated management report 2022

In addition, we continued to support the integration of transgender people into the labour market. In Spain, in addition to participating in FELGTB's YesWeTrans project, we organized employability workshops for transgender people and launched a guide to the gender transitioning process at work, which aims to guide both the transitioning employee and their manager through the whole process.

In Brazil, we now employ over 70 transgender employees and expect to reach 100 by 2023. Along these lines, we signpost all our toilets to ensure that they are used in accordance with the gender with which the person identifies. We also finance 100% of the training for our transgender employees. In the UK, we have trained HR teams in the inclusion of transgender and non-binary talent, and launched a transgender and non-binary health policy.

#### **Awards**

- Bloomberg Gender Equality Index 2023 recognized
  Telefónica as one of the most committed companies in
  the world to gender equality based on data from 2022,
  for the sixth consecutive year. Locally, Telefónica
  Germany and Telefónica Brazil are also part of the
  index.
- The Financial Times recognized Telefónica as one of Europe's most inclusive employers in its 2022 Diversity Leaders ranking.
- Equality in the Company badge from the Institute for Women and Equal Opportunities (DIE): this award was obtained by Telefónica Móviles España, S.A. and Telefónica Soluciones de Informática y Comunicaciones de España S.A.U.
- IBEX Gender Equality Index selected Telefónica as one of the 45 Spanish listed companies with the greatest presence of women in senior management positions.
- In Hispanoamerica we were recognised by the PAR Ranking as being the best company in the sector for our practices in closing gaps.
- SBC Forum honoured Telefónica for its commitment to work-life balance in Spain. Along these lines, in Ecuador, we received EFR (Family-Responsible Company) certification from the Másfamilia Foundation.
- The Ethos Guide recognized Telefónica as one of the most diverse companies in Brazil.
- Great Place to Work identified Telefónica Brazil as one of the best companies for women and for professionals over 50.

- In Brazil, Telefónica was recognized for the Racial Equity Business Index.
- The Mujeres en Red programme in Hispanoamerica was awarded the Scotiabank Equality Award, the 12th Spanish International Corresponsables Award and features in the Aequales Par 2022 Ranking, among others. In addition, it was awarded by the Global Compact with the Recognition of Good Practices in Sustainable Development.
- Employers for Youth considered Telefónica to be one of the best employers for young people in several countries in Hispanoamerica.
- In the UK, VMO2 was recognized by the In House Recruitment Awards for the Future Career programme, the CIPD Awards for the internship scheme and The Firm Awards for the best emerging recruitment strategy.



#### **MILESTONES**

- → For the sixth consecutive year, we formed part of the Bloomberg Gender Equality Index.
- → We endorsed our Global Equality Policy and signed up to the UN Women's Empowerment Principles globally.
- → We increased the number of employees with disabilities by 354 to 1,482.

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## 2.7.6. Staffing and diversity indicators

GRI 2-7, 401-1, 405-1

## > Structure of the Board of Directors

## Members of the Board of Directors by gender and age in 2022

Age range	Men	%	Women	%	Total	%
More than 50	10	77	3	23	13	87
From 35 to 50	0	0	2	100	2	13
Under 35	_	_	_	_	_	_
Total	10	67	5	33	15	100

## > Staffing structure

## Total number and distribution of employees by gender, age range, professional category and region

GROUP TOTAL		More th	an 50	From 35	to 50	Under	35	Tot	al
		2021	2022	2021	2022	2021	2022	2021	2022
Executives	Men	736	1,013	1,946	1,793	139	133	2,821	2,939
	%	4%	5%	6%	6%	1%	1%	4%	5%
	Women	246	383	1,025	1,003	87	84	1,358	1,470
	%	4%	6%	5%	5%	1%	1%	3%	4%
	TOTAL	982	1,396	2,971	2,796	226	217	4,179	4,409
	%	4%	6%	6%	6%	1%	1%	4%	4%
Middle	Men	1,516	1,800	3,462	3,577	652	691	5,630	6,068
Management	%	9%	10%	11%	12%	4%	4%	9%	10%
	Women	355	521	1,602	1,859	361	528	2,318	2,908
	%	6%	8%	8%	9%	3%	4%	6%	7%
	TOTAL	1,871	2,321	5,064	5,436	1,013	1,219	7,948	8,976
	%	8%	9%	10%	11%	3%	4%	8%	9%
Other	Men	14,678	15,669	25,683	23,690	15,568	15,275	55,929	54,634
Professionals	%	87%	85%	83%	82%	95%	95%	87%	86%
	Women	4,951	5,923	18,075	17,207	12,852	12,489	35,878	35,619
	%	89%	87%	87%	86%	97%	95%	91%	89%
	TOTAL	19,629	21,592	43,758	40,897	28,420	27,764	91,807	90,253
	%	87%	85%	84%	83%	96%	95%	88%	87%
Total	Men	16,930	18,482	31,091	29,060	16,359	16,099	64,380	63,641
	%	26%	29%	48%	46%	25%	25%	62%	61%
	Women	5,552	6,827	20,702	20,069	13,300	13,101	39,554	39,997
	%	14%	17%	52%	50%	34%	33%	38%	39%
	TOTAL	22,482	25,309	51,793	49,129	29,659	29,200	103,934	103,638
	%	22%	24%	50%	47%	29%	28%	100%	100%

<sup>14.213</sup> employees under 30 years of age, of whom 6.641 are women and 7.572 are men.

<sup>64.116</sup> employees between 30 and 50 years of age, of whom 26.529 are women and 37.587 are men.



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GERMANY		More tha	n 50	From 35	to <b>50</b>	Under	35	Tota	I
	<u>-</u>	2021	2022	2021	2022	2021	2022	2021	2022
Executives	Men	65	92	93	91	6	2	164	185
	%	5%	6%	4%	4%	0.6%	0%	4%	4%
	Women	18	25	39	35	2	4	59	64
	%	3%	4%	3%	2%	0.3%	1%	2%	2%
	TOTAL	83	117	132	126	8	6	223	249
	%	5%	5%	3%	3%	0.5%	0.3%	3%	3%
Middle	Men	108	123	356	348	67	49	531	520
Management	%	9%	8%	15%	14%	7%	4%	12%	10%
	Women	33	34	99	112	24	20	156	166
	%	6%	5%	7%	7%	4%	3%	6%	5%
	TOTAL	141	157	455	460	91	69	687	686
	%	8%	7%	12%	11%	6%	4%	9%	8%
Other	Men	1,016	1,335	1,962	2,093	904	1,092	3,882	4,520
Professionals	%	85%	86%	81%	83%	93%	96%	85%	87%
	Women	486	633	1,352	1,406	608	752	2,446	2,791
	%	91%	91%	91%	91%	96%	97%	92%	92%
	TOTAL	1,502	1,968	3,314	3,499	1,512	1,844	6,328	7,311
	%	87%	88%	85%	86%	94%	96%	87%	89%
Total	Men	1,189	1,550	2,411	2,532	977	1,143	4,577	5,225
	%	26%	30%	53%	48%	21%	22%	63%	63%
	Women	537	692	1,490	1,553	634	776	2,661	3,021
	%	20%	23%	56%	51%	24%	26%	37%	37%
	TOTAL	1,726	2,242	3,901	4,085	1,611	1,919	7,238	8,246
	%	24%	27%	54%	50%	22%	23%	100%	100%



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BRAZIL		More than 50		From 35 to 50		Under	35	Total		
	_	2021	2022	2021	2022	2021	2022	2021	2022	
Executives	Men	128	175	836	840	112	102	1,076	1,117	
	%	7%	8%	8%	8%	1%	1%	5%	6%	
	Women	41	73	440	471	73	64	554	608	
	%	7%	8%	7%	7%	1%	1%	4%	4%	
	Total	169	248	1,276	1,311	185	166	1,630	1,725	
	%	7%	8%	8%	8%	1%	1%	5%	5%	
Middle	Men	204	238	1,006	1,107	290	376	1,500	1,721	
Management	%	12%	10%	10%	11%	4%	5%	7%	9%	
	Women	22	27	352	506	175	337	549	870	
	%	4%	3%	6%	7%	2%	4%	4%	6%	
	Total	226	265	1,358	1,613	465	713	2,049	2,591	
	%	10%	8%	8%	10%	3%	5%	6%	7%	
Other	Men	1,432	1,890	8,299	8,041	7,713	7,137	17,444	17,068	
Professionals	%	81%	82%	82%	81%	95%	94%	87%	86%	
	Women	551	806	5,502	5,806	7,570	7,245	13,623	13,857	
	%	90%	89%	87%	86%	97%	95%	93%	90%	
	Total	1,983	2,696	13,801	13,847	15,283	14,382	31,067	30,925	
	%	83%	84% _	84%	83%	96%	94%	89%	88%	
Total	Men	1,764	2,303	10,141	9,988	8,115	7,615	20,020	19,906	
	%	9%	12%	51%	50%	41%	38%	58%	56%	
	Women	614	906	6,294	6,783	7,818	7,646	14,726	15,335	
	%	4%	6%	43%	44%	53%	50%	42%	44%	
	Total	2,378	3,209	16,435	16,771	15,933	15,261	34,746	35,241	
	%	7%	9%	47%	48%	46%	43%	100%	100%	



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SPAIN		More tha	an 50	From 35	From 35 to 50		35	Total	
		2021	2022	2021	2022	2021	2022	2021	2022
Executives	Men	358	489	661	538	12	17	1,031	1,044
	%	4%	6%	8%	8%	1%	1%	6%	6%
	Women	133	201	368	330	9	10	510	541
	%	4%	6%	6%	7%	1%	1%	5%	5%
	Total	491	690	1,029	868	21	27	1,541	1,585
	%	4%	6%	7%	8%	1%	1%	5%	6%
Middle	Men	567	755	699	994	41	121	1,307	1,870
Management	%	7%	9%	9%	15%	2%	5%	7%	11%
	Women	175	289	394	598	24	71	593	958
	%	6%	8%	7%	12%	2%	5%	6%	10%
	Total	742	1,044	1,093	1,592	65	192	1,900	2,828
	%	6%	8%	8%	14%	2%	5%	7%	10%
Other	Men	7,722	7,462	6,529	5,026	2,086	2,129	16,337	14,617
Professionals	%	89%	86%	83%	77%	98%	94%	87%	83%
	Women	2,790	3,157	5,095	4,010	1,286	1,214	9,171	8,381
	%	90%	87%	87%	81%	97%	94%	89%	85%
	Total	10,512	10,619	11,624	9,036	3,372	3,343	25,508	22,998
	%	90%	86%	85%	79%	98%	94%	88%	84%
Total	Men	8,647	8,706	7,889	6,558	2,139	2,267	18,675	17,531
	%	46%	50%	42%	37%	11%	13%	65%	64%
	Women	3,098	3,647	5,857	4,938	1,319	1,295	10,274	9,880
	%	30%	37%	57%	50%	13%	13%	35%	36%
	Total	11,745	12,353	13,746	11,496	3,458	3,562	28,949	27,411
	%	41%	45%	47%	42%	12%	13%	100%	100%



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HISPAM		More tha	ın 50	From 35	to <b>50</b>	Under	Under 35		Total	
		2021	2022	2021	2022	2021	2022	2021	2022	
Executives	Men	170	229	329	291	9	12	508	532	
	%	3%	4%	3%	3%	0%	0%	2%	3%	
	Women	50	78	167	159	3	6	220	243	
	%	4%	5%	2%	2%	-%	-%	2%	2%	
	Total	220	307	496	450	12	18	728	775	
	%	3%	4%	3%	3%	-%	-%	2%	2%	
Middle	Men	606	625	1,353	1,034	237	124	2,196	1,783	
Management	%	12%	11%	13%	11%	5%	3%	11%	9%	
	Women	113	151	736	606	131	87	980	844	
	%	9%	10%	11%	9%	4%	3%	8%	7%	
	Total	719	776	2,089	1,640	368	211	3,176	2,627	
	%	11%	11%	12%	10%	4%	3%	10%	8%	
Other	Men	4,408	4,860	8,625	8,208	4,708	4,677	17,741	17,745	
Professionals	%	85%	85%	84%	86%	95%	97%	87%	88%	
	Women	1,089	1,282	6,028	5,877	3,329	3,177	10,446	10,336	
	%	87%	85%	87%	88%	96%	97%	90%	90%	
	Total	5,497	6,142	14,653	14,085	8,037	7,854	28,187	28,081	
	%	85%	85%	85%	87%	95%	97%	88%	89%	
Total	Men	5,184	5,714	10,307	9,533	4,954	4,813	20,445	20,060	
	%	25%	28%	50%	48%	24%	24%	64%	64%	
	Women	1,252	1,511	6,931	6,642	3,463	3,270	11,646	11,423	
	%	11%	13%	60%	58%	30%	29%	36%	36%	
	Total	6,436	7,225	17,238	16,175	8,417	8,083	32,091	31,483	
	%	20%	23%	54%	51%	26%	26%	100%	100%	

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OTHERS		More tha	n 50	From 35 t	to <b>50</b>	Under 35		Total	
		2021	2022	2021	2022	2021	2022	2021	2022
Executives	Men	15	28	27	33	_	_	42	61
	%	10%	13%	8%	7%	-%	-%	6%	7%
	Women	4	6	11	8	_	_	15	14
	%	8%	8%	8%	5%	-%	-%	6%	4%
	Total	19	34	38	41	_	_	57	75
	%	10%	12%	8%	7%	-%	-%	6%	6%
Middle	Men	31	59	48	94	17	21	96	174
Management	%	21%	28%	14%	21%	10%	8%	14%	19%
	Women	12	20	21	37	7	13	40	70
	%	24%	28%	16%	24%	11%	11%	16%	21%
	Total	43	79	69	131	24	34	136	244
	%	22%	28%	15%	22%	10%	9%	15%	19%
Other	Men	100	122	268	322	157	240	525	684
Professionals	%	68%	58%	78%	72%	90%	92%	79%	74%
	Women	35	45	98	108	59	101	192	254
	%	69%	63%	75%	71%	89%	89%	78%	75%
	Total	135	167	366	430	216	341	717	938
	%	69%	60%	77%	71%	90%	91%	79%	75%
Total	Men	146	209	343	449	174	261	663	919
	%	22%	23%	52%	49%	26%	28%	73%	73%
	Women	51	71	130	153	66	114	247	338
	%	21%	21%	53%	45%	27%	34%	27%	27%
	Total	197	280	473	602	240	375	910	1,257
	%	22%	22%	52%	48%	26%	30%	100%	100%

## Distribution of employees by nationality

Nationality	Employees (%)
Brazilian	34%
Spanish	26%
Argentinean	11%
German	7%
Colombian	6%
Peruvian	4%
Chilean	4%
Venezuelan	2%
Mexican	2%
Ecuadorian	1%
Uruguayan	1%
Other nationalities	3%

The figure of 3% for Others is made up of 96 nationalities.

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Nationality	<b>Professional Category</b>	<b>Employees</b>
	Executives	1,722
Brazilian	Middle Management	2,606
	Executives  Middle Management Other Professionals  Executives Middle Management Other Professionals  Executives Middle Management Other Professionals  Executives Middle Management Other Professionals  Executives Middle Management Other Professionals  Executives Middle Management Other Professionals	30,881
	Executives	1,531
Spanish	Middle Management	2,738
	Other Professionals	22,624
	Executives	186
Argentinean	Middle Management	1,035
	Other Professionals	9,908
	Executives	205
German	Middle Management	618
	Middle Management Other Professionals Executives Middle Management Other Professionals Executives Middle Management Other Professionals Executives Middle Management Other Professionals Other Professionals	5,992
	Executives	177
Colombian	Middle Management	387
	Other Professionals	5,955
	Executives	137
Peruvian	Middle Management	260
	Other Professionals	4,256

## > Diversity indicators

## **Gender diversity**

Indicators	2021	2022
Women in the workforce	38.1%	38.6%
Women on the Board of Directors	33.3%	33.3%
Women in all management positions <sup>3</sup>	30.3 %	32.7%
Women directors	29.5%	31.3%4
Women in middle management positions	29.2%	32.4%
Women hired under 35 years of age	45.7%	45.0%

## **Employees with disabilities**

Indicator	2021	2022
People on the staff with disabilities	1,128 <sup>5</sup>	1,482

## Young people

Indicator	2021	2022
Under 35	29%	28%

Executives (executive and management positions) and middle management.

<sup>4</sup> In 2022, minor adjustments have been implemented in the formula for calculating the percentage of women directors. Maintaining the 2021 criteria, the figure would be 31.2%.  $^{5}$  Correction applied due to error in the reporting of the data in the 2021 Consolidated Annual Report.

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#### **Cultural diversity by region**

Region	Emplo	<b>Employees</b>		Nationalities		Women		Men	
	2021	2022	2021	2022		2022	2021	2022	
Germany	7,238	8,246	75	79	51	57	64	69	
Brazil	34,746	35,241	25	27	14	15	22	25	
Spain	28,949	27,411	51	54	41	40	39	43	
Others	910	1,257	29	49	20	32	27	44	
Hispam	32,091	31,483	37	35	27	23	30	30	
Group Total	103,934	103,638	99	107	71	82	89	101	

Cultural diversity represents the number of different nationalities that make up the workforce in the region. This figure is also given as a breakdown of the number of male and female employees

#### 2.7.7 Remuneration indicators

GRI 2-21, 3-3, 202-1, 405-2

## Average remuneration and its evolution, broken down by gender, age range and professional category

	_	Average Total Remuneration <sup>6</sup>				Pay Gap				
		Wom	Women		Men		ary (%)	Total Remu		
Professional Category	Age range	2021	2022	2021	2022	2021	2022	2021	2022	
Group		30,831	33,372	39,422	42,631	20.77%	15.62%	17.49% <sup>7</sup>	16.80%	
Executives	More than 50	142,911	163,410	178,565	197,650	13.10%	13.54%	19.97%	17.32%	
	From 35 to 50	91,733	97,592	103,279	111,352	7.82%	8.60%	11.18%	12.36%	
	Under 35	51,029	63,987	55,798	64,820	7.81%	0.02%	8.55%	1.29%	
Middle	More than 50	65,096	70,969	59,357	67,178	-10.80%	-7.17%	-9.67%	-5.64%	
Management	From 35 to 50	43,403	49,005	44,028	52,424	0.48%	5.22%	1.42%	6.52%	
	Under 35	26,126	28,869	27,573	34,598	7.75%	17.58%	5.25%	16.56%	
Other	More than 50	48,718	49,308	52,205	53,152	5.45%	5.90%	6.68%	7.23%	
Professionals	From 35 to 50	29,126	29,904	32,398	33,968	8.41%	10.38%	10.10%	11.96%	
	Under 35	14,714	17,153	18,126	21,316	20.76%	20.72%	18.82%	19.53%	

Following our commitment to transparency of previous years, we publish results taking into account all salary concepts paid during the year.

<sup>&</sup>lt;sup>6</sup> For the purposes of reporting the average total remuneration of all Telefónica employees, all executive positions of the Company have been grouped under the same category, "Executives". This includes senior managers and managers, given that the structure of the remuneration mix of both groups (fixed remuneration, annual variable remuneration, eligibility for the long-term incentive plan and other concepts) is aligned with the Telefónica Group's Global Remuneration Policy. The policy's main aim is to promote the achievement of the financial business, value creation and sustainability indicators.

The average total remuneration includes all salary items paid during 2022, where applicable. These concepts are total base salary, bonuses, commissions and commercial incentives paid, long-term incentives paid and benefits in-kind, including social benefits, accrued over the year.

The calculation methodology has been changed in 2022 to take into account the different socio-economic realities of the countries that make up the group. Reported data in 2021: 21.79%.

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# Total Average Remuneration Ratio relative to Executive Chairman (CEO)

	Executive Chairman (CEO)	Total average remuneration ratio
2022	6,786,795	103:1

The ratio of the total annual remuneration of the Executive Chairman (CEO) and the average total remuneration of all employees based in Spain during is 103:1. This analysis takes into account the total remuneration accrued by the Executive Chairman in 2022, which includes the sum of the fixed remuneration, shortterm variable pay, long-term incentive and benefits; the same elements have been considered for all active employees based in Spain as of 31 December 2022.

# **Total Average Remuneration of Directors by gender**

	Wom	ien	Me	en
Directors	2021	2022	2021	2022
	140,577	223,863	1,504,502	1,525,319

More complete and detailed information can be found in chapter 5 of this report (Annual Report on Remuneration of the Directors) and on the Telefónica website.

# Ratio of minimum wage paid in Telefónica to local minimum wage

Country	Women	Men
Germany	1.00	1.00
Argentina	2.03	2.66
Brazil	1.09	1.09
Chile	1.21	1.15
Colombia	1.09	1.09
Ecuador	1.16	1.16
Spain	1.00	1.00
Mexico	1.18	1.18
Peru	1.00	1.00
Uruguay	1.32	1.23



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# > Gender pay gap

# Gross and adjusted pay gap

Country	Emplo	<b>Employees</b>		en	% Wor	nen	Gross Gap		Adjusted Gap <sup>8</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Group Total <sup>9</sup>	101,520	101,227	62%	62%	38%	38%	17.49% <sup>10</sup>	16.80%	1.18%	0.74%
Germany	7,094	7,544	63%	64%	37%	36%	21.03%	20.19%	4.28%	2.11%
Argentina	12,267	11,206	67%	67%	33%	33%	7.18%	6.00%	-0.41%	0.04%
Brazil	34,368	34,823	58%	57%	42%	43%	24.55%	23.37%	2.71%	0.85%
Chile	4,053	4,181	70%	71%	30%	29%	14.93%	10.31%	2.32%	0.80%
Colombia	5,730	6,236	58%	59%	42%	41%	13.94%	13.00%	-0.80%	0.26%
Ecuador	922	961	62%	61%	38%	39%	17.51%	20.16%	-0.14%	-0.41%
Spain	28,943	27,404	65%	64%	35%	36%	15.08%	14.42%	2.43%	1.87%
Mexico	2,096	1,797	66%	63%	34%	37%	14.39%	16.68%	0.08%	-0.69%
Peru	4,559	4,615	65%	66%	35%	34%	7.82%	7.72%	2.32%	0.74%
Uruguay	580	606	49%	50%	51%	50%	31.88%	33.35%	-0.94%	1.89%
Others <sup>11</sup>	908	1,854	73%	69%	27%	31%	20.98%	30.97%	0.00%	0.00%

#### **Gender Pay Gap calculation**

In order to calculate the gender pay gap in each of the countries, we have taken into account the total average remuneration from men minus total average remuneration from women divided by total average remuneration from men.

The total average remuneration includes all salaries received by the employee for one year. These concepts are:

- · Total annual base salary
- · Short-term variable remuneration: bonuses, commissions, sales incentives and other variable remuneration items paid
- · Benefits in kind, including social benefits accumulated in one year
- · Long-term variable remuneration: Incentives paid (shares)

The scope of this analysis includes all the employees in Telefonica Group up to 31 December of the analyzed year.

In the case of the global gross pay gap, a weighted average of the gross pay gaps of each country according to the total number of employees in each country

The adjusted gender pay gap is calculated using a mathematical regression model that relates average total pay to other factors as well as gender. Factors such as country, professional category, functional area in which the employee works, seniority, legal entity and working hours (full-time or part-time).

Information of all Telefónica Group countries except Venezuela, due to its hyperinflation economic situation. The calculation methodology has been changed to take into account the different socio-economic realities of the countries that make up the group. Reported data in 2021: 21.79%.

Remainder includes other countries such as: Bolivia, Belgium, China, Denmark, Estonia, France, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Puerto Rico, Romania, Sweden, Switzerland, and the United States.



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# 2.8. New ways of working

**GRI 3-3** 

#### **KEY POINTS**



66% of our total workforce has adopted a hybrid work model.



78% of our employees feel they have a good work-life balance.



We have developed hybrid, flexible and digital working frameworks at all of our operations.

#### 2.8.1. Vision

The pandemic has unquestionably produced a new reality in the labour market worldwide. Nonetheless, physical presence at the office and personal contact between team members also brings added value. With that in mind, Telefónica is committed to a hybrid working model (onsite and remote) across the Group that combines the best of both working models. In general, we establish a minimum percentage of face to face time and a maximum percentage of remote time, which differs in the countries in which we operate and can change depending on the nature of the position whenever possible.

Our hybrid, flexible and digital work model seeks to boost team commitment and satisfaction while preserving the corporate culture and maintaining professional ties.







There is a growing social demand for work-life balance. At Telefónica, we work hard for that to be the reality. These efforts are clearly reflected in the results from our annual motivation survey, according to which 78% of our employees feel they have a good work-life balance. Thanks to our digital disconnection awareness initiatives, this percentage has risen by 10 points since 2019.

Telefónica is improving the compatibility of various lifestyles with professional demands, thereby fostering inclusion. We harness the potential of all employees in this way, regardless of their personal characteristics or circumstances

The redefinition of our workspaces to be more digital, flexible and collaborative, in addition to a commitment to digital disconnection (Telefónica was a pioneer in this regard following an agreement in 2019 with all trade union organizations), and the physical and emotional wellbeing of our people, also form part of this new work

Leadership and our culture play a fundamental role in this transformation.

# 2.8.2. Targets

A key target for this new way of working is to boost employee commitment and loyalty, as well as to evolve towards a simpler and more flexible organisation. We therefore promote skills based on a culture of flexibility, trust and commitment, as well as the necessary skills required for a collaborative and dynamic work environment based on project management, autonomy and teamwork.

We want to continue being a driving force behind new working models where values such as well-being, flexibility, work-life balance, co-responsibility and equal opportunities are paramount.



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Our flexible work models are a valuable tool for attracting and retaining talent, as well as for giving us access to new professionals located all over the world.

# 2.8.3. Action plan and commitments GRI 3-3, 402-1, 403-4, 404-2



For more information, see section 2.6.5.2. Diversity and

The new agile ways of working are much more than a methodology for Telefónica; they are a means of boosting a cultural transformation underpinned by the various local Agile offices. These offices combine Business, Transformation and People teams to align work frameworks to the specific characteristics of each business and the strategic priorities of each unit.

We continue to work on the implementation of more liquid and flexible organizational models that can help to empower teams and support business activity, within a context of process simplification based on an e2e and project-based work approach.

#### > How we lead

This new hybrid and flexible context has led to farreaching changes in our leadership and our culture, changes that are highly necessary for achieving the best results. We are therefore undertaking an unprecedented cultural transformation to help us obtain an effective and sustainable employment experience that can evolve the relationship model between managers and their teams.

We are fully aware that we need new ways of leading to help us adapt to these new paradigms. As a result, in the various countries where we operate we are working to reorganize the skills of our leaders so they can be a source of inspiration and transformation within this new hybrid context. We also want them to promote a culture of confidence, conversations and productivity.

# At Telefónica, we inclusively lead teams of a diverse nature.





# > Digitalized environment

With a hybrid work model, the office becomes less of a place to perform a task and more of a space for inspiration, co-creation and networking between colleagues.

Telefónica's workspaces are therefore open and shared, and are technologically equipped for the hybrid model. We also have space management tools that are either up and running already or undergoing a trial period, depending on the location.



# +) New Universitas Campus

Located at Telefónica District (Madrid), within the Innovation and Talent Hub, it boasts 2,000 square metres of the latest technology for in-person and remote training, including live-streaming services, multipurpose spaces and recording studios.

Furthermore, we strive to enrich the vending areas and relaxation spaces at our offices to provide a cozy atmosphere that lets us network within our work environment while enjoying a nice break.

# Collaborative technology, such as Microsoft Teams and the Workplace corporate social network, encourages interaction between employees and helps

them to stay on top of the latest news and to share inspiring ideas and content.

Depending on the geographical area where we operate, we provide our professionals with ergonomic chairs, mobile telephones with unlimited data tariffs, and the option to buy office furniture under good terms and conditions. Additionally, we create spaces to promote emotional well-being with virtual cafés where we encourage networking.

In Spain, we also provide our employees with various tools so that they can record the start and end of their working day from any location, as required by current local labour legislation.

# > Work-life balance

We develop the hybrid model by focusing on the employee and his or her family and by taking care of their digital health.

Reinforcing the digital disconnection agreement that the Company signed in 2019, we deliver courses including new routines and tips on how to maintain a healthy balance between work and free time, and organize teamwork in the best possible way.

We encourage co-responsibility of care between our male and female employees through awareness initiatives, because it has been demonstrated that a culture in which the weight of family and domestic responsibilities falls mainly on women is detrimental to their development and prevents the gender pay gap from being closed.

We foster measures that guarantee digital disconnection based on a commitment to "disconnect to reconnect". A combination of company, team and individual agreements is essential to achieving this goal. Such agreements regulate times at which communications



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should not be sent and at which replies are not expected (except under exceptional circumstances), as well as guidelines on the planning and organisation of meetings.

We complement all this with training resources on disconnecting and relaxing, reasonable use of technology, and awareness about respecting personal relaxation time.



For further information, see Chapter 2.9. Occupational health, safety and well-being.

We have measures and initiatives in place which help our employees to achieve work-life balance and ensure their well-being: flexible working hours, part-time work, reduced working hours, subsidized flexible working week, paid and unpaid leave, extended leave for personal reasons and hybrid working.



For further information, see Chapter 2.6. Attraction, retention and skill development.

At the Telefónica Group, we are fully aware of the context of high uncertainty and volatility that has been accentuated by various overlapping crises (health, social, energy, political and economic). These situations have caused inflation and interest rates to rise, thus impacting negatively on the economy. We are therefore adopting measures in the territories where we do business (internally and always based on collective bargaining) to help our employees withstand the effect that this exceptional situation is having on them and their families.

# > Labour relations. Social dialogue

At Telefónica, we are committed to the core standards of the International Labour Organization (ILO) in every country where we operate, particularly regarding freedom of association and the right to collective bargaining.

We ensure that worker representatives receive fair and free of discrimination treatment, and that all the tools they need to perform their duties of representation are available to them. 100% of Telefónica's employees are protected by labour frameworks and, as the case may be, by their employment contracts, which govern working conditions under current local legislation. The collective bargaining agreements include occupational health and safety clauses adapted to local legislation. Additionally, Telefónica also has an annual prevention plan in place, as well as mechanisms and procedures to promote employee involvement in the management of the Company, particularly in terms of information, consultation and participation.

In the matter of any significant organizational changes, Telefónica respects the period of prior notice set by the legislation of the countries where we operate, as well as those prior notice periods defined by collective bargaining agreements or policies.

### Trade union activity

As a company, we reaffirm the important role played by trade unions in defending the interests of workers and we recognize UNI (Global Union) and the European Works Council as key partners in worldwide labour management.

At a local level, we also understand that works council management is steered through policies and rules established by the legal entity. Therefore, the procedures on reporting, consultation and negotiation have different meanings but are always in line with Telefónica's guiding principles.

Maintaining a **neutral position** on trade union activity is essential to ensuring a free and open environment that enables exercise of the right to free association. If workers wish to become members of a trade union, Telefónica will recognize trade unions that meet the terms and conditions set by ILO Convention 87, and always in accordance with local legislation.

# Voluntary redundancy programme

With the intention of adapting our workforce to the needs of the business, several voluntary redundancy schemes were activated in 2022. All of them were based on the premise of being voluntary, universal and non-discriminatory.

A voluntary redundancy plan known as the *Plan de Desvinculación Voluntaria* (PDV) was launched in Hispanoamerica. A total of 1,029 people took part in the scheme, among which 93% corresponded to our operation in Argentina.

At Telefónica Spain, as part of the Social Pact for Employment signed by the Company and backed by the main trade unions, an Individual Suspension Plan (PSI from its Spanish initials) to suspend employment relations and encourage incentivized redundancies -based on voluntary action, non-discrimination and social responsibility- was approved in 2022. This plan helped to adjust the size of the workforce to the new reality of the Company, thus becoming a fundamental lever in the transformation process. The total number of employees affected in Spain stands at 2,347.

The Individual Suspension Plan (PSI) was aimed at employees born in 1967 or earlier who had been with the Company for at least 15 years. One factor that makes these initiatives stand out from other similar measures in our business environment is that they are socially responsible, since they do not require any expenditure from the state treasury.



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# > Outplacement programmes

Since the beginning of 2016, we have been running an outplacement service to help relocate employees who leave the Company as a result of redundancy or voluntary redundancy plans.

For six months, we offer:

- · Individual work sessions.
- · Group sessions and workshops.
- · A technology platform to find new opportunities.

The main purpose of all these actions is to help employees find new opportunities at other companies or in their own businesses.

# 2.8.4. Progress in 2022

GRI 2-30

#### > New work model

In 2022, 66% of our employees took advantage of the **hybrid work model.** This model is flexible, adapted to both the needs of the team and the Company, and allows people to work from anywhere in the country. The model can be reversed by either of the two parties (employee or Telefónica). This percentage is lower than in 2021 due to the impact that COVID-19 had at the end of that year.

- According to the results obtained, our employees' perception of our hybrid work model was reinforced in 2022. In the annual climate survey, 91% of managers stated that working remotely makes their teams more productive. Furthermore, 94% of employees believe that this work model makes it easier for them to excel.
- 78% (4 p.p. higher than the results in 2021) of our employees believe that a good work-life balance is promoted at our Company.
- In 2022, we also continued to adopt agile work methods at all Group units: 44% of employees claim that they use some kind of agile framework (scrum, kanban, design thinking, lean thinking, etc.) which represents an increase of 6 p.p. when compared with 2021.
- More than 15,000 employees formed part of the lifelong learning on digital and business skills. Each country has its own programme:

**Brazil** - Vivo Explore - provided training on technology, digital services, creativity, innovation, well-being, self-care and personal leadership to all Vivo employees.

**Spain** - Reskilling Digital - offered courses on digital skills to all professionals in order to digitalise, simplify and automate everyday activities.

**Germany** - Stackfuel and Linked in Learning - supplied training across the Company on digitalisation issues: analytics and data science, cloud computing, cybersecurity and data protection, Internet of Things (IoT), agile methodologies, human-centred design and digital ethics.

**Hispam**- LideraT - provided a learning and development programme that created collaborative learning spaces to improve professional and personal skills for tackling business challenges.

#### > How we lead

Approximately 6,000 leaders took part in various leadership programmes that are helping to evolve our leadership model by adapting to the challenges posed by the new ways of working:

**Brazil** - Leader Academy - leadership programmes for developing the skills needed to manage teams, boosting trust, autonomy and collaboration.

**Spain** - Breaking Point - enhancing the role of people and team managers in more agile and flexible hybrid working environments.

We also ran team leadership programmes in different areas of the Company (CTO, Movistar Plus+, etc.).

Local efforts were complemented by a new global learning ecosystem led by Universitas aimed at boosting skill-building and reinforcing our growth mentality culture.

# > Digitalised environment

In 2022, 100% of our employees had access to Office 365 and Microsoft Teams to facilitate collaboration in a digital environment. Furthermore, 100% of the workforce had a laptop computer. In terms of our corporate social network (Workplace), 60% of employees were active on this platform in 2022.

#### > Social dialogue

In early 2022, we signed an extension agreement regarding the II Collective Bargaining Agreement between Telefónica Spain, Telefónica Móviles and Telefónica Soluciones (CEV) and the leading trade unions, UGT and CCOO.



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# Percentage of all employees covered by collective bargaining agreements

Country	2021	2022
Germany	97.6%	85.9%
Argentina	76.4%	79.8%
Brazil	94.3%	94.1%
Chile	88.0%	72.3%
Spain	60.5%	54.3%
Peru	36.6%	30.1%
Total Group	69.3%	66.3%

100% of Telefónica's employees were covered by a labour framework regulating their working conditions. The data from Germany on 2021 has been corrected given that workers councils have been included under collective bargaining agreements. The indicator has decreased due to the voluntary redundancy programs (which have been joined mainly by employees under a collective agreement), to the increase in the recruitment of employees in areas with a lower percentage of employees under a collective agreement and, in specifically in Germany, to the acquisition of companies that do not have legal representation of their employees or their own collective agreement.



# **MILESTONES**

- → We have increased the percentage of employees who use an agile working framework by 6 p.p., to 44%.
- → According to the Annual Climate Survey, the opinion of our employees on their work-life balance has improved by 4 p.p. to 78%.
- → For yet another year, the perception among our employees regarding the hybrid work model remained highly positive.



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# **2.9.** Safety, health and well-being at work

#### **KEY POINTS**



78% of our employees feel that Telefónica supports well-being at the Company.



96% of our employees are covered by a health, safety and well-being management system



All our suppliers sign up to the Supply Chain Sustainability Policy, which sets out obligations for complying with health, safety and well-being best practices.

# 2.9.1. Vision

At Telefónica, we continue to make progress on positioning ourselves as a global benchmark for business well-being and renew our commitment to employee good health and well-being year after year.

We are aware that we still live in a situation of uncertainty and that the recent health, social, political and economic crises increase the risk of health-related tensions, especially of a psychological nature.

Furthermore, we are encountering new ways of organising work, which are characterised by flexible models encompassing on-site working, remote working and working from home. Preventive management therefore requires this to be adapted to the new environments and risks that emerge in those new models.

As a result, we continue to build a solid **culture of health and safety** focused on people at all levels: work environment, mental well-being, the promotion of health, physical activity and healthy eating, and personal environment.

Our goal is to be capable of generating confidence and optimism in the future, and this means managing and **improving individual psycho-social health** by offering psycho-social risk response and prevention programmes that can guarantee a preventive response to any health issues. We have therefore begun conducting psychosocial risk assessments that will provide us with a psychosocial diagnosis, to enable us to define improvement

measures that are appropriate to the risks identified and the environment in which these measures should be adopted.

We also want to be a zero-accident company. This is why we place so much importance on **reducing the accident rate** and not exposing our employees to unnecessary risks. Our major operators therefore have targets based on the health and safety incident index. For example, at Telefónica Spain, the Frequency Index in the annual Prevention Plan is set to <5.

# 2.9.2. Governance

The Quality and Sustainability Committee is responsible for promoting the development of the Global Responsible Business Plan, which was approved by the Board of Directors and places emphasis on safeguarding and promoting the Health, Safety and Well-being (HSW) of our employees in the workplace.

#### 2.9.3. Policies

At a global level, we draw up a shared approach to this issue via our Health, Safety and Well-being Policy, and actions are taken at a local level according to the reality in each country.



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# Our safety, health and well-being policy

We are committed to:



Identifying hazards and assessing risks in order to prevent work incidents and occupational illnesses.



Ensuring **compliance** with local regulations and international standards.



Promoting information, participation and queries by employees and all other parties.



Defining strategies that foster a culture of incident prevention, well-being and health promotion.



Applying the principles of continuous improvement through performance indicators.



Providing safe and healthy working conditions to prevent injuries and health deterioration.



**Promoting best practices** in our supply chain and with our partners.



Regularly and transparently communicating our performance and addressing any concerns raised.

# 2.9.4. Action plan and commitments

GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

> Management systems: prevention of work-related accidents and occupational diseases
We establish procedures to identify hazards and
assess risks in order to prevent work-related accidents
and occupational diseases, ensuring compliance with the
legal requirements in force in each country. On a
complementary basis, and in accordance with the
principle of prevention, we also adopt other requirements
based on local regulations and international standards.

Each one of our operators has occupational health and safety guidelines in place for the management of risks faced by engineers and office staff.

The processes for identifying hazards and assessing risks to prevent occupational incidents and diseases are set out in the Global Health and Safety Policy, as well as in the various local health and safety policies. These processes vary from country to country, but are all aimed at eliminating hazards and minimising risks.

In Spain, risk identification is carried out in various ways: specific reports are produced to analyse a given situation; risk assessments are conducted in workplaces; and accident investigations are carried out. The results of this technical activity are included in the so-called "Prevention Plan", which is sent to the corresponding management units so they can plan and develop the necessary corrective actions

In Brazil, we have an identification and assessment platform for hazards and risks called the SOGI PRSSO (Occupational Hazards and Risks) module. In Germany, we have an accident-reporting process: accidents are registered in the accident database and they are analysed by occupational safety specialists using a checklist.

We also have processes in place to investigate workrelated accidents at each operator.

In Spain, once the accident has been investigated by the occupational doctor, the result is reported to the Prevention Service and a prevention officer is assigned to determine the causes of the accident. The investigation report includes a series of conclusions and recommendations of which the employee and his or her immediate superior are informed. If any additional action is required, this is also communicated to the management unit so that the identified incident can be remedied or adaptations can be made.

In Brazil, we have a Technical Instruction for the Management of Workplace Incidents and Accidents, and a standard form for the recording and investigation of accidents at work. In Germany, the key problems that are identified via this process are discussed by occupational safety committees and measures are proposed.

# > Occupational health services

We have health services with essentially preventive and health-promoting functions in every country.

In some countries, they are provided by in-house staff:

- In Spain, via the Joint Service for Occupational Risk Prevention.
- In Brazil, via specialised providers that we contract for acupuncture programmes, mental health (psychologists), nutrition, physiotherapy, meditation, primary healthcare (Einstein Clinic), pregnancy programmes, exercise in the workplace, chronic disease management, telemedicine, executive health checkups, etc.



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Most of our workplaces have an **on-site medical service**, and wherever this is not available, employees have access to medical services under the various health plans that are in place.

All our operations also have an **Emergency Plan** in place under which teams of people who have received first aid training can take action in the event of an emergency or natural disaster. In addition, we have early warning systems and specially-trained teams (through drills) prepared to deal with such events.

# > Training and worker representation

# Training and awareness-raising

All employees have online courses available to them on occupational health, safety and well-being. Ongoing and specific training is also undertaken with the local teams in the various countries on the implementation of health, safety and well-being management systems, as well as numerous health and awareness-raising campaigns.

# Worker representation and participation

We promote information, consultation and participation for workers and other stakeholders to ensure safe and healthy workplaces. Worker representation on joint health and safety committees is the established model in the countries where we operate and 90% of our employees are represented on these committees.

In Spain, we have a central Health and Safety Committee that meets on a monthly basis, and we support that committee with provincial committees that meet every three months. In Germany, our occupational safety committee meets every quarter.

At Telefónica, we encourage and promote the physical and mental health of our employees, both in the workplace and in their personal and family environments.



# > Promotion of employees' health

In line with our **target to be a benchmark for corporate well-being** with a positive impact on our employees, partners, the environment and the organisation, we implement initiatives that promote a culture of well-being at all levels of the organisation. Furthermore, we offer digital disconnection measures and seek to guarantee work-life balance for our employees.



For further information, see Chapter 2.8. New ways of working.

We know that employees value the right to a safe and healthy work environment. We therefore base our action on communication and open dialogue while seeking to make employees feel comfortable in sharing their incidents and concerns. This is reflected in the annual climate survey, in which 78% feel that Telefónica supports employee well-being.

This recognition is a product of our perseverance. Since 2015, we have had global guidelines for local implementation based on programmes that are adapted to the reality in each country where the individual lives and works, both in the work environment and outside of it, while also dealing with both physical and mental issues.

We believe that we are responsible for preventing and responding to the present and future psycho-social risks that may jeopardise the health of our employees. We have therefore begun to assess psycho-social risks throughout the Company. The goal is to use these assessments as a tool for identifying and monitoring those working conditions that might affect physical and mental health.

At the same time, we continue to promote emotional well-being and the psycho-social environment in the workplace in order to reduce **emotional and mental stress.** This has become a priority for our Company following recent global events (war in Ukraine, energy crisis, inflation, COVID-19).



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We can highlight the following programmes in this regard:

# **Psycho-social health programmes**

Country	Drogramma	
Country	Programme	
Brazil	Conte Conmigo	Support from social workers and psychologists, with free sessions about social, psychological, psychopedagogical, legal and financial help, both inperson and online.
Spain	Programa de Salud y Bienestar. Atam clinical team	This covers the mental/ emotional/psycho- social health of our people based on specific actions for looking after these areas of health and well-being.
Germany	Feel Good Balance	This includes relaxation, stress management and resilience courses.
Hispam	Colombia	A psycho-social risk programme is in place. Employees also have access to guidance and support from psychologists through the 1DOC3 service.
	Perú	A psycho-social monitoring and assessment programme is in place. When issues are identified, talks are provided on managing stress and emotions, ongoing support is provided by social workers and constant monitoring takes place.

Through all these programmes, we promote initiatives that aim to raise awareness on nutrition, health, physical activity and emotional issues while helping us to implement corrective and preventive measures in each country.

We offer a portfolio of social benefits tailored to local practices in the markets where we operate, including universal health insurance for all employees, which includes psychiatric and psychological care cover, and a support service for people with disabilities aimed at employees and their families. Our social benefits include the care of mental health as a cornerstone for the well-being of our employees.

We facilitate workers' access to these wellness services and programmes through comprehensive communication campaigns. We also run training courses on emotional health, stress management, time management, leadership style and suicide prevention, among others.

We have platforms that help us promote physical activity in most countries, such as Gympass. In addition, we are transforming our relaxation spaces and catering areas to provide our employees with healthy products and other healthy ideas. We are also engaged in various nutrition programmes with nutritionists who draw up a dietary plan tailored to each person who takes part.

To complement these activities, we help to build environments that promote a higher quality of life and greater comfort by creating breastfeeding rooms, bicycle parking and changing rooms on our premises. We strive to foster accessibility to our spaces and thereby guarantee barrier-free environments for our employees with disabilities.

#### > Commitment to our suppliers

We foster best practices in health, safety and well-being in our supply chain and with our partners. All our suppliers accept the Supply Chain Sustainability Policy, which sets out compliance obligations in this area.

Our suppliers' activities involve greater risk of suffering an occupational accident, and therefore we focus on promoting and reinforcing best practices in occupational health, safety and well-being when working with them. This is reflected in the *Proyecto Aliados* (Allies Project), under which audits are conducted with a focus on occupational health and safety. These are accompanied by meetings with contractors and the development of improvement schemes.

The **Telefónica Integrated Prevention and Sustainability Plan** that was drawn up to develop an exceptional benchmark standard in our sector and the industry as a whole has three key pillars:

- The Responsible Business Principles, which not only contain our code of ethics but also our responsibility policy vis-à-vis stakeholders and society in general.
- The importance of sustainability for progress by society and reducing the impact from our activity and from our customers and suppliers.
- Our commitment to Occupational Risk Prevention, tied to well-being and the protection of our employees, joint companies and supply chain.



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# **Supplier management**

Step 1	Our suppliers must accept and sign our minimum standards on occupational health and safety.
Step 2	Risk analysis and identification of high-risk suppliers.
Step 3	Audits (administrative or on-site) of high-risk suppliers.
Step 4	Engagement with suppliers to improve the health and safety of those who work with us in our supply chain.
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For further information, see Chapter 2.20. Responsible supply chain management.

# > Employee health and safety: management of the COVID-19 crisis

Our management, in response to the coronavirus, was focused on maintaining the safety of our employees, customers and partners.

The formula that has allowed us to deal with this pandemic is a balanced mix of data analysis, active participation in international forums (WHO and United Nations) and daily interpretation of qualitative information (press, trends, news agencies, specialised studies).

With minor adaptations to existing tools, we have harnessed the full potential of the data and made safe progress on both health protection objectives and business challenges.

# **2.9.5. Progress in 2022** GRI 403-8

# > Management system

96% of our employees are currently covered by a health, safety and well-being management system. Of those, 40% are covered by a certified system (based on ISO 45001 or OHSAS 18001 standards)<sup>1</sup>.

Argentina certifies its ISO 45001 Management System at 10 buildings which contain all the operations for the Group in Argentina and account for 70% of the total country allocation.

Colombia renewed its ISO 45001 certification in November 2022.

# > Awareness and prevention

We organized Well-being Week in several countries in 2022, during which we shared content on emotional health, physical activity, healthy eating, self-knowledge and happiness. We also organized a month focusing on mental health.

- In Spain, we organized the fourth Health and Safety Conference with our supply chain, the Orange, MásMóvil and Vodafone operators, representatives from society and ADEMI (the sector employers' association). We all share the goal of achieving #zeroaccidents in the sector.
- Argentina held its four-monthly Health and Safety
  Committee meetings with its contractors in the
  segment with the greatest risk to the operation in order
  to promote best practice in prevention and to generate
  commitments to improve. This space allowed us to
  share experiences, align our suppliers with Company
  targets and move together towards a culture of
  prevention.
- The good health and well-being channel in Spain has over 2,000 members and offers numerous activities and talks on well-being and emotional, physical and nutritional health to our employees. Some examples in the field of mental health are "the psychologist replies", "the effect of laughter", "managing uncertainty and techo-stress", and "healthy habits for a good night's sleep". We provided various webinars on nutritional health, including "nutritional labelling", "healthy lunch boxes" and "healthy eating at Christmas". In terms of physical health, we organised active breaks at work every week led by expert physiotherapists. We also arranged various motivational talks from experts, including Olympic medallists. More than 8,000 people participated in the live events and we also achieved over 14,958 views, with an average rating for the initiatives of 4.87 out of 5. The highest rated by our employees were active breaks at work, virtual Pilates sessions and the first aid workshop.
- As part of Brazil's commitment to maintaining a well-being culture and from among all the activities within its Vivo Bienestar programme, it is worth noting the 3,349 sessions provided under its nutrition programme and 8,651 sessions under the Cuenta Conmigo programme to promote emotional health. The Gaming House programme also stands out in 2022, as a way to boost well-being and entertainment for employees. This space is used exclusively for gaming and is equipped with next-gen devices, such as Notebook Gamer, Cockpit and Xbox. A first "FIFA" games championship was organised alongside the World Cup. This space has been visited by more than 1,000 employees since it was opened in August.

Both indicators have decreased slightly due to the changes in perimeter experienced in the year. The departure of United Kingdom from the scope of calculation is especially significant.



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- Germany used a health app for the first time as part of a pilot scheme. The app lets employees easily access the Feel Good programme and was used for the first time at the O2 Telefónica Run + Challenge 2022 and the Feel Good Nutrition Challenge. In each case, more than 30% of the workforce took part in the challenges. Furthermore, it once again offered training to its executives on mental health in the hybrid working environment.
- In 2022, awareness and prevention activities on various diseases (menopause, and prostate and testicular pathologies) were provided in Spain, Brazil, Germany and Hispanoamerica.
- The issue of addictive behaviours was approached in most countries under the various prevention programmes in place through talks, conferences and workshops given by specialists on the topic. Chile and Colombia stand out in this regard, the former with a specific policy on the issue and the latter with a policy against the consumption of alcohol and drugs.

#### > Work-life balance

In terms of work-life balance, we are engaged in initiatives in several countries. For example, in Germany, we offer virtual coaching and advice on looking after children and the elderly; in Brazil, we have the Vivo más familia parental support programme relating to the arrival of a new member of the family, with clinical, psychological and nutritional support for mothers, as well as skill development during pregnancy and the post-partum period extended to the support network. The programme includes support for parents during adoption procedures.

We also have various suppliers offering solutions that improve work-life balance for our employees, making dayto-day life easier through such services as legal, financial and tax advice, travel and hotel advice and even help finding domestic services, among other things.

#### > Healthy spaces

At Telefónica, we are committed to a hybrid work model. For that commitment to be successful, it is essential for the work spaces both in the workplace and in the home to meet certain minimum health criteria in terms of ergonomics, well-being and environmental quality. Although each country manages this issue separately, all of them establish recommendations and offer support on ergonomic aspects and occupational health and safety. Germany has a procedure for risk assessments for teleworking situations, training on health and safety in remote working environments and an online offer through the Feel Good programme, as well as the family service. In Spain, we have provided training courses on ORP to the entire workforce opting for teleworking and recommendations have been issued on working from home safely (physical and mental). Ergonomics kits were issued in Chile and disconnection campaigns were carried out.

#### > COVID-19

We have specific COVID-19 monitoring committees at a local level to ensure that prevention and health surveillance actions are adopted with full participation from the workers' representatives.

# Recognition

- · Brazil earned third place at GPTW for health management.
- Germany was included in the "Excellence Category" for the fourth time at the Corporate Health Awards.



# **MILESTONES**

- → We began to conduct psycho-social risk assessments at all our operators.
- → We shared the #zeroaccidents goal with the sector at the fourth Health and Safety
- → We remained committed to well-being and emotional health through initiatives for employees in all our operators.

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# 2.9.6. Main occupational health and safety at work indicators<sup>2</sup>

GRI 3-3, 403-8, 403-9, 403-10

	Germany		Bra	nzil	Spa	ain	Hisp	am³	Others	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Number of hours worked (TOTAL)	13,909,860	14,602,833	62,957,490	65,516,000	54,162,018	54,487,829	61,617,883	61,166,302	5,448,243	2,123,004
Number of hours of absenteeism (men)	378,696	524,902	1,767,032	745,168	618,168	1,248,794	784,838	959,848	148,400	5,600
Number of hours of absenteeism (women)	381,496	413,598	2,110,544	940,176	902,192	1,375,797	574,964	958,072	190,584	3,272
Number of hours of absenteeism TOTAL	760,192	938,500	3,877,576	1,685,344	1,520,360	2,624,591	1,359,802	1,917,920	338,984	8,872
Absenteeism rate (men)	0.04	0.05	0.05	0.02	0.02	0.04	0.02	0.02	0.04	0.00
Absenteeism rate (women)	0.08	0.08	0.08	0.03	0.05	0.07	0.03	0.04	0.09	0.01
Absenteeism rate TOTAL <sup>4</sup>	0.05	0.06	0.06	0.03	0.03	0.05	0.02	0.03	0.06	0.00
Lost day rate / severity (men)	12.13	9.43	3.04	19.68	45.99	15.84	82.01	75.33	0.00	0.00
Lost day rate / severity (women)										
Lost day rate / severity TOTAL <sup>5</sup>	8.18	5.87	0.41	2.91	8.26	10.55	19.76	12.58	10.47	0.00
	10.77	8.20	1.97	12.72	32.73	13.95	59.13	52.39	3.93	0.00
Lost day rate / severity (men)	12.13	9.43	3.04	19.68	45.05	15.59	179.00	82.11	0.00	0.00
Lost day rate / severity (women)	8.18	5.87	0.41	2.91	8.26	10.55	112.16	34.20	10.47	0.00
Lost day rate / severity TOTAL <sup>6</sup>										
Accident frequency rate (men)	10.77	8.20	1.97	12.72	32.12	13.79	154.44	64.59	3.93	0.00
	0.37	0.46	0.40	0.50	0.24	0.68	1.50	2.05	0.00	0.00
Accident frequency rate (women)	0.33	0.60	0.14	0.19	0.16	0.46	0.36	0.62	0.00	0.00
Accident frequency rate TOTAL <sup>7</sup>	0.36	0.51	0.30	0.37	0.21	0.60	1.08	1.52	0.00	0.00

The variations between 2021 and 2022 are mainly due to the impact of COVID-19, changes in the scope (such as the exit of Telefónica UK), and the implementation of improvements in the information reporting processes.

Hispam comprises: Argentina, Chile, Colombia, Ecuador, Mexico, Perú, Uruguay, and Venezuela.

Absenteeism rate = total number of days lost due to absence / total days worked per year.

<sup>&</sup>lt;sup>5</sup> Based on the list of occupational diseases from the International Labour Organization. Lost day rate (severity) = total number of days lost due to accidents in the workplace with leave and occupational disease / total hours worked per year) x 200,000.

Based on the list of occupational diseases in local legislation, regulations and rules. Lost day rate (severity) = total number of days lost due to accidents in the workplace with leave and occupational disease / total hours worked per year) x 200,000.

Accident frequency rate = (total number of accidents in the workplace with leave / total number of hours worked per year) x 200,000.



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	Germa	ny	Brazi	il	Spair	n	Hispaı	m³	Other	rs
_	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Occupational disease rate (men)										
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00
Occupational disease rate (women)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00
Occupational disease rate TOTAL <sup>8</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00
Occupational disease rate (men)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00
	0.00	0.00	0.12	0.00	0.00	0.38	6.61	0.36	0.00	0.00
Occupational disease rate (women)	0.00	0.00	0.17	0.00	0.00	0./1	. 0.	0.07	0.00	0.00
Occupational disease rate TOTAL <sup>9</sup>	0.00	0.00	0.17	0.00	0.00	0.61	6.86	0.87	0.00	0.00
	0.00	0.00	0.14	0.00	0.00	0.46	6.71	0.55	0.00	0.00
Total number of occupational injuries with major consequences (Men)	0	0	0	0	0	0	8	2	0	0.00
Total number of occupational injuries with major consequences (Women)	0	0	0	0	0	0	0	2	0	0
Total number of occupational injuries with major consequences										
	0	0	0	0	0	0	8	4	0	0
Rate of occupational injuries with major consequences TOTAL <sup>11</sup>	0.00	0.00	0.00	0.00	0.00	0.00	8.00	4.00	0.00	0.00

<sup>8</sup> Based on the list of occupational diseases from the International Labour Organization. Occupational disease rate = (total number of occupational diseases /

total number of hours worked per year) x 200,000.

Based on the list of occupational diseases in local legislation, regulations and rules. Occupational disease rate = (total number of occupational diseases / total number of hours worked per year) x 200,000.  $^{10}$  Not including deaths.

Not including deaths. Rate of occupational injuries with major consequences = (number of occupational injuries with major consequences (excluding deaths) / Number of hours worked) × 200,000.



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	Germa	ny	Braz	il	Spai	n	Hispa	m <sup>3</sup>	Other	rs
_	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Total number of recordable occupational injuries (Men)	11	15	0	1	49	50	419	368	0	2
Total number of recordable occupational injuries (Women)	4	9	0	0	37	24	58	85	0	C
Total number of recordable occupational injuries TOTAL	15	24	0	1	86	74	477	453	0	2
Rate of recordable occupational injuries (TOTAL) <sup>12</sup>	0.22	0.33	0.00	0.00	0.32	0.27	1.55	1.48	0.00	0.19
Number of deaths resulting from an occupational injury (Men)	0	0	0	0	0	0	0	0	0	O
Number of deaths resulting from an occupational injury (Women)	0	0	0	0	0	0	0	0	0	O
Number of deaths resulting from an occupational injury (TOTAL)	0	0	0	0	0	0	0	0	0	o
Rate of deaths resulting from an occupational injury TOTAL <sup>13</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of deaths resulting from an occupational disease or illness (TOTAL)	0.00	0	0	0	0	0	0	0	0	0

To improve the quality of the data, we have reported data related to occupational diseases based on two criteria:

<sup>1.</sup> On the basis of a global definition based on the list of occupational diseases from the International Labour Organization (ILO).

<sup>2.</sup> On the basis of local legislation, regulations and rules, as in previous years.

Rate of injuries due to recordable occupational accidents = (number of injuries due to recordable occupational accidents / Number of hours worked) ×

Death rate as a result of occupational accidents = (Number of deaths resulting from injuries due to occupational accidents / Number of hours worked) × 200,000.



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# Coverage of the health and safety management system at work

	Germa	ny	Braz	il	Spa	in	Hisp	am	Other	rs
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Number of employees covered by the Health and Safety Management System	7,368	7,099	33,072	33,466	27,271	26,826	28,042	30,848	2,932	775
% of employees covered by the Health and Safety Management System	100%	86%	97%	95%	100%	97%	88%	98%	99%	65%
Number of employees covered by the Health and Safety Management System subject to internal audit <sup>14</sup>	0	7,099	32,761	33,447	26,332	26,283	27,403	23,259	2,884	775
% of employees covered by the Health and Safety Management System subject to internal audit <sup>15</sup>	0%	86%	97%	95%	96%	95%	86%	74%	98%	65%
Number of employees covered by the Health and Safety Management System subject to third party certification or auditing	7,368	7,099	0	285	24,193	24,577	31,125	23,141	2,884	166
% of employees covered by the Health and Safety Management System subject to third party certification or auditing	100%	86%	0%	1%	89%	89%	98%	74%	98%	14%

# Relevant indicators VMED 02 UK16

- Absentee rate: 3%
- Injury rate: 0.36
- Occupational Disease Rate (Based on local legislation, regulation and standards): 14.30

Annual reviews are carried out both externally and internally under the supervision of Occupational Risk Prevention Services, within the context of the Joint Prevention Service of the Telefonica Group.

<sup>&</sup>lt;sup>15</sup> Annual reviews are carried out both externally and internally under the supervision of Occupational Risk Prevention Services, within the context of the Joint Prevention Service of the Telefonica Group.

Absentee rate:

Total number of working days lost due to absenteeism of any cause against the total available annual workdays. This excludes contractors and temporary staff. The total available annual work days include all annual working days excluding bank holidays. For 2022, the total annual work days calculation was, the average number of employees x 255 working days.

<sup>&</sup>quot;Any cause" refers to the total number of days lost due to occupational accident needing sick leave, non-occupational accident, occupational disease, common disease, and unapproved absences. Unapproved absences are those captured on the system as being "absent without authorisation" or "unauthorised". This does not include approved absences such as holidays, study leave, maternity or paternity leave and days off.

Injury rate:
Total no. of occupational accidents with sick leave / Hours worked annually) \* 200,000. The hours worked annual calculation is, average no. employees x 40 hours per week x 50 weeks per year. occupational accidents in the workplace needing sick leave. This excludes contractors and temporary staff.

Total number of occupational illnesses / total number of hours worked) \* 200 000. Total number of hours worked = Average No. employees x 40 hours per week x 50 weeks per year. Occupational disease definition used from the International Labour Organisation's list of Occupational diseases. Common diseases are not considered occupational diseases.



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# 2.10. Digital inclusion

#### **KEY POINTS**



Digital inclusion is the core pillar of our Company. Through the rollout of connectivity and the services we offer, we contribute to the socio-economic development of the regions in which we operate.



The World Benchmarking Alliance has recognised Telefonica for the 2<sup>nd</sup> year running as the world's leading company in the ICT sector for digital inclusion.



We promote the economic and social integration of persons with disabilities through technology by developing products and services that are accessible to all.

# 2.10.1. Vision

In 2016, the United Nations listed digital inclusion as one of the **fundamental human rights**, considering it a basic service to help close the digital divide, and thereby highlighting the social, cultural and economic inequalities that can result from a lack of internet access.

The most vulnerable groups in society are particularly affected by difficulties in gaining access to digital technologies, especially those with some form of disability, the elderly and rural populations

Digital solutions can also eliminate seemingly insurmountable barriers by creating positive impacts, enabling the transformation of communities and boosting local economies.

Our goal is to **bring technology to people** so they can benefit from all the opportunities offered by digitalisation and therefore build fairer, more prosperous and more sustainable societies. More specifically, we seek to connect the unconnected, provide access to new digital services for vulnerable groups in society, train and educate people in digital skills, and develop services that can generate social value and help protect our environment.

# 2.10.2. Governance and policies

Our Responsible Business Principles (the Company's code of ethics) provide the most important guidelines which frame our commitment to digital inclusion.

The various sections of these principles reflect the importance we assign to such issues as digital rights, innovation, the development and responsible use of technology, and our commitment to the societies in which we operate.

In this context, digital inclusion is a cross-cutting process that takes place throughout the organisation. Internal organisational structures are in place to promote and lead the various key issues. Those structures include: the Responsible Business Office, the Global Sustainability Unit, the network operations areas for the roll-out of infrastructure, and Fundación Telefónica for topics related to digital skills development.

Our Company's firm commitment to responsible use of technology in protecting children and teenagers is also reflected in the Responsible Business Principles and various other corporate policies, such as the Diversity Policy, the Responsible Communication Regulations, and the Supply Chain Sustainability Policy

In turn, Telefonica's Sustainability and Quality Board Committee oversees the Global Responsible Business Plan, which covers all issues including the responsible use of technology, with a special focus on one of the most vulnerable groups in society: children.



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Our strategic lines of action are divided into 4 pillars:

# Strategic pillars for digital inclusion



Inclusive access

broadband



#### Digital skills training

→ Basic digital skills

Offering our knowledge

and skills to improve the



# Innovation and relevant



# services

→ Sustainable innovation: new services with an impact on society Developing new solutions and innovative services that can improve people's lives and be useful and relevant.

# Secure and responsible use of technology

- → Privacy and security Ensuring that our products and services meet the strictest privacy and security standards in order to generate trust in the use of new technologies.
- → Responsible use of technology Protecting and fostering responsible use of technology.

# and rural. → Accessibility and technologies working

for people with

disabilities

→ Rollout of connectivity

everyone has access to

communication networks

in all regions, both urban

Guaranteeing that

Ensuring that our digital services can be accessed by all and to guarantee technology can become a key tool for improving the lives of people with different abilities.

# → Affordability

Endeavouring to ensure that cost is not a barrier to using new technologies by offering options and tariffs that the entire population can afford

people who need them most. → Intermediate digital

digital skills of those

- skills In line with our goal, training people on programming tools and technologies in order to improve the skills of the entire population.
- → Employability and training in advanced digital skills

Training young people in the professions of the future that will require advanced knowledge of technology and communications.





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Main KPIs on digital inclusion		2021	2022
Digital Inclusion Benchmark (WBA)	Ranking position	1°	19
	Premises reached by UBB own and third parties	159,841,086	168,057,417
	Percentage of mobile coverage in rural areas	77% - 94%	80% - 99%
	LTE/4G coverage	87%	90%
	Spain		
	Percentage of mobile coverage in rural areas	91% 4G rural coverage 20% 5G rural coverage	94%
	Percentage coverage 4G	98%	98%
	Percentage coverage 5G <sup>1</sup>	Not available	85%
	Germany		
Connectivity	Percentage of mobile coverage in rural areas	94% with 50 Mbps	99%
	Percentage coverage 4G	100%	100%
	Percentage coverage 5G <sup>2</sup>	Not available	80%
	Brazil		
	Percentage of mobile coverage in rural areas	77% rural population with 4G/5G	80%
	Percentage rural coverage 4G	94%	96%
	UK		
	Percentage of mobile coverage in rural areas	Not available	>99%
	Percentage coverage 4G	99%	99%
	Percentage coverage 5G	Not available	43%
Product and service accessibility	Number of products and services with accessibility criteria	Not available Implementation in 2022	40
Affordability - Universal Service	Millions of euros	169	212
	Beneficiaries of digital skills development programmes <sup>3</sup>	1,212,765	1,305,715
Digital skills training	Beneficiaries of basic digital skills development programmes	Not available	1,779
Digital skills trairilly	Beneficiaries of intermediate digital skills development programmes	Not available	1,299,086
	Beneficiaries of advanced digital skills development programmes	Not available	4,850

Spain technical criteria 61%

Germany technical criteria 69,1%

A total of 1,305,718 people have been trained within the projects: "Lanzaderas", "Conecta Empleo", "Piensa en Grande" and "Escuela 42".



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# 2.10.3. Risks and opportunities 2.10.4. Action plan, commitments and progress

Although the roll-out of telecommunications infrastructure in recent years has connected a large part of the world's population to the internet and new digital services, challenges and barriers still exist that need to be overcome in order to close the digital divide.

There are five main barriers according to studies conducted by the Global System for Mobile Communications (GSMA), the international association of mobile operators:

**Availability of high-speed networks** enabling access to broadband services, mainly in remote or rural environments.

- Lack of digital knowledge and skills among the population.
- Affordability in the prices for basic services
   Affordability in the prices for basic services for people on limited incomes
- Relevance and usefulness of new services that make them attractive to use
- Concerns about the security and privacy of technology solutions, and the risks associated with the use of online services.

Besides these barriers, we should also consider the **risks associated with regulations**, because these rules shape the context in which we operate.

However, and despite the complex nature of some of these challenges, the opportunities offered by digitalisation are key to **economic and social development.** 

In this regard, companies in the telecommunications sector have become central to society's 'nervous system' by keeping enterprises and communities active and connected, and delivering solutions capable of addressing the major challenges contained in the United Nations Sustainable Development Goals (SDGs).

As a result, not only can we make a positive contribution to social development, but a **growth opportunity for** our business clearly stands before us. Connecting new population segments or regions and developing new digital services will enable us to guarantee a bright future for the Company.

As part of our purpose to "make our world more human by connecting people's lives", we are committed to bringing the best connectivity and the latest technology to everyone while leaving no one behind and advocating for ethical, people-centred digitalisation.

# 2.10.4.1. Inclusive access

Internet access and new digital services are a cornerstone in achieving the United Nations <u>Sustainable</u> <u>Development Goals (SDGs)</u> of the 2030 Agenda. To ensure that everyone has access to digitalisation, we are working on the following lines of action:

# > Roll-out of connectivity

Our next-gen broadband networks are rolled out alongside measures to boost digitalisation, with a direct impact on socio-economic development and on the lives of many people.

We work on the following initiatives to achieve this:

#### We connect the unconnected

Millions of people around the world still have no internet access at the moment, or the connectivity available to them is very limited, especially in rural or hard-to-reach regions.

We therefore promote the roll-out of new communications networks in all regions, with a particular focus on rural areas.

In such countries as Brazil, Peru, Colombia, Spain and Germany, we have announced plans to extend coverage and infrastructures under agreements with third parties that will enable us to provide mobile broadband and fibre services in rural areas

We improve and modernise our networks and infrastructure in response to new social demands. We evolve and upgrade communications networks to provide the capacity needed for an increasingly more digitalised economy.

New digital services require new advanced infrastructure capable of guaranteeing sufficient capacity for its use. For this reason, we are upgrading and expanding our networks to use next-gen technologies that offer ultrabroadband services (5G and fibre optics).



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#### Progress on connectivity

In the framework of the Mobile World Congress 2022, Telefónica presented its "Rural Manifesto, a proposal to develop inclusive and sustainable rural networks", a document that proposes a new route to connect the inhabitants of Latin America who do not have Internet access, most of whom live in rural areas.

Bridging the digital divide in Latin America means defining new solutions that meet the specific needs of rural areas. For this reason, the company proposes a new model that revolves around three axes: innovation, cooperation and sustainability.

Telefónica has continued its efforts to build networks that are increasingly primed to offer the best service to customers and manage growing traffic volumes.

In terms of fibre, we continue to maintain our global leadership, of which more than half of the networks are owned by the company.

In turn, 5G technology now covers most of the population in Germany and Spain, as well as more than 30 cities in Brazil. We also continue to expand 5G coverage in other operations.

A portion of the funds from our sustainable bonds (€2.8 billion up to 2022) has been allocated to bringing connections to unconnected areas and improving internet access in rural areas as a way to help close the digital divide.







We have been recognised by the World Benchmarking Alliance (WBA), an international organisation that assesses the top 150 companies in the technology and communications sector, as the world's leading company for our commitment to digital inclusion.

We have been recognised by Omdia as a **European** leader in the private LTE and 5G networks market.

Alongside Liberty Global and InfraVia CP, we have set up a joint company to build a new fibre optic network in the United Kingdom.

We have confirmed our partnership with the CAF under a new Framework Cooperation Agreement that will enable digitalisation in the region to be further accelerated through cooperation aimed at progressing towards a more inclusive and sustainable society. This partnership will help reach milestones linked to SDG 9 of the 2030 Agenda.

#### Targets on connectivity

To continue our rollout of the best and most efficient connectivity, we have set the following targets:

- · Achieve mobile broadband coverage for 90-97% of the rural population in our main markets by 2024, strengthening our commitment to the development of rural areas.
- Spain: achieve 100% fibre optic coverage by 2024. Furthermore, the goal is to extend coverage to up to five million fibre optic connections in rural areas by the end of 2024 through Bluevía, the new company set up between Telefónica and a consortium made up by Vauban Venture and Credit Agricole Assurances.
- Germany: promote the rollout of fibre optics in rural municipalities in collaboration with other partners. Over the coming years, our joint venture with Allianz aims to offer a service to 2.2 million people by investing €5 billion, predominantly in rural areas. This will allow 50,000 km of fibre optics to be installed over the next six years.
- Colombia: through the new company set up by Telefónica and KKR, bring Fibre-to-the-Home (FTTH) to 4.3 million locations in around 90 cities over the next three years. This will help the Government of Colombia with its intention to connect 70% of all homes and, above all, to improve connectivity speed in the country which, in turn, will advance progress toward the goal of eliminating inequality in the digital transformation.
- Brazil: through FiBrasil, the joint venture set up between the Telefónica Group and CDPQ, bring fibre optic infrastructures to 5.5 million homes and businesses over the next four years. This joint venture has been recognised as the Operation of the Year in Latin America within the telecommunications sector. The IJ Global Awards are presented every year to the best infrastructure and energy operations in several regions of the world.
- · Peru: continue the 'Internet for All' project that was launched in 2018 and jointly developed with Facebook, IDB Invest and the Development Bank of Latin America (CAF); we are committed to democratising internet access by rolling out coverage in remote regions of the country.
- United Kingdom: reach 50% of the population with 5G by 2023. Furthermore, the fibre optic network would expand to five million additional homes reached by 2026 through the new company set up between Telefónica, Liberty Global and Infravía.



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In terms of products and services, besides guaranteeing accessibility criteria by design, we endeavor to develop innovative solutions that can improve the life quality of people with disabilities. These include:

- Movistar Plus+, the world's first private television service that enables access with triple accessibility (audio description, subtitles and sign language) to an extensive catalog of content via the Movistar+ 5S feature.
- Accessible PoS for ONCE Foundation vendors that include text-to-voice conversion systems and a Braille screen, among other accessibility features.
- Mapcesible, a collaborative platform on which accessibility is mapped and ratings can be checked before planning your daily travel.

To support achievement of our targets, we raise awareness and train the departments responsible for developing solutions. We also have a catalog of handbooks and training sessions on accessibility which are available to the entire workforce in order to guarantee accessibility in the main platforms and channels we use to engage with our stakeholders.

understanding of the needs and demands from this segment. In Spain, we work with the ONCE Foundation, Ilunión and CNSE, among others. At a global level, we take inspiration from such significant initiatives as The Valuable 500.

We work with benchmark associations to gain a better

At the same time, we endeavor to ensure an equal user experience for all our customers by improving the accessibility of our customer service and communication channels, both online and offline.

As far as our **stores** are concerned, we offer video interpreting services in such countries as Chile, Uruguay and Brazil, and audio induction loop services for the hearing-impaired in markets such as Spain and the United Kingdom. In Argentina, we have developed and implemented the inclusive customer service API tool, which reduces barriers in face-to-face communication with our customers by using an app.

In terms of terminals, we work with mobile device manufacturers to enhance new capabilities that make them more accessible and easier to use for persons with different disabilities.

# Targets on technologies working for people with disabilities

Our goal is to **guarantee the accessibility of our digital solutions** so that they can be used by everyone, regardless of their capabilities.

Together with the efficient high-performance satellite service from OneWeb, we will support connectivity expansion in Europe and Latin America by complementing the current offer and allowing ourselves to reach remote regions where we were unable to provide a service before.

We continue to have 4G/LTE coverage of more than 90% of the population in the four main countries where we operate.

Furthermore, we successfully brought 5G to more than 80% of the population in Spain and are developing projects in Germany, Brazil and Colombia to cover all rural areas with broadband technology.

# > Accessibility and technologies working for people with disabilities

People-centred digitalisation should take place from an inclusive perspective to ensure that no one is left behind, regardless of their personal, economic or social situation.

At present, many people with disabilities have difficulty accessing the advantages offered by the increasingly wider digital world in such areas as e-commerce, financial solutions, health services and entertainment, etc. For this reason, technology has become a key ally for people with disabilities due to its potential to break down barriers and thereby make their social and economic integration easier.

Aware of this problem, we endeavor to make technology work for persons with disabilities and therefore ensure that everyone can access the advantages brought by the digital transformation. With that in mind, we consider accessibility criteria whenever we start developing our products and services, as well as in the channels and facilities we use to engage with our stakeholders.

Furthermore, we have aligned this target with our corporate commitment to diversity and inclusion, and we have adhered to the Principles for Driving the Digital Inclusion of Persons with Disabilities promoted by the GSMA, which provide a specific action framework for telecommunications operators. This commitment is reflected in the development of products and services adapted to the needs of people with disabilities and in actions aimed at improving the accessibility of customer service and communication channels.

In the same vein and in line with the Responsibility by Design project, we seek to integrate accessibility from the outset when developing our products and services. We have therefore included accessibility as a requirement for our online developments as well, following the guidelines defined by the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C).



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# Progress on technologies working for people with disabilities

Over the course of the year, we enhanced our flagship solutions to address the needs of people with disabilities and the elderly:

- Movistar Plus+ 5S, the feature that allows customers
  with hearing or visual disabilities to access content on
  the Movistar+ television platform, has continued to
  grow and comprised more than 1,200 pieces of content
  with triple accessibility in 2022.
- Mapcesible, the collaborative platform for making journeys and visits easier for people with disabilities, increased the number of mapped locations to almost 38,000.
- ViveLibre, the digital solutions platform that supports
  personal autonomy and healthcare for people with
  disabilities, concluded several pilot schemes aimed at
  evaluating domestic sensor system prototypes. It also
  launched a process to implement the supply chain
  needed for the industrial manufacture of its devices. It is
  expected that this progress will enable ATAM to meet
  the commitments undertaken in experimental projects.
  One of those projects is RUMBO, which aims to provide
  people with disabilities with independent life models
  through innovative personal autonomy support
  practices and social participation. ATAM provides
  technology and services from ViveLibre to this project,
  led by COCEMFE.

As regards our **customer service and communication channels**, our websites comply with Level AA of the Web Content Accessibility Guidelines 1.0 (WCAG 1.0) established by the W3C (World Wide Web Consortium). Brazil and Ecuador have joined other group countries, such as Spain and Colombia, in offering a video interpretation service to hard-of-hearing customers.

At our **stores**, besides ensuring physical accessibility and guaranteeing technology-based solutions to offer an equal experience to all our customers, we have been providing information since 2022 on the accessibility features of the mobile devices in our catalog. Thus, customers can identify the best terminals for overcoming visual, auditory, cognitive and dexterity difficulties through a set of icons. In countries such as Colombia, we also have a Protocol on Special Customer Care for Persons with Disabilities and, in Mexico, we have provided training on this issue to virtually all customer service staff.

Finally, it is worth noting that, in 2022, we continued to expand our training offer on accessibility issues via new guidelines aimed at communication, brand and online channel areas. Furthermore, in line with our commitment to double the number of employees with disabilities by 2024, we have trained our staff on making the most of the accessibility features on such corporate tools as Microsoft Office 365.

#### > Affordability

The roll-out of connectivity always entails a cost that is passed on in the prices of the services offered.

Although the uptake costs of fixed broadband and especially mobile broadband have fallen over the last decade, we are continuing to work on new business models that will allow us to offer increasingly affordable tariffs aimed at ensuring universal access to communications services.

The pay-as-you-go mobile service, specific broadband packages, and the services for small businesses and entrepreneurs, are just some of the key tools we use at Telefónica to facilitate access to telecommunications services.

#### Targets on affordability

Our goal is to guarantee that all segments of the population can enjoy access to basic communications services

In each of the countries where we offer our services, we analyse and seek business models that facilitate access by all segments of the population.

In some of these countries, we specifically contribute towards achieving this goal through the **Universal Service Fund** or collaborate with the public authorities to offer subsidised or regulated services.

The Universal Service Fund is a public investment fund whose objective is to guarantee the provision of services for all users regardless of their geographical location, while meeting quality standards and maintaining an affordable price. The investment is controlled by the public bodies designated for this purpose in each country.

# Progress on affordability

Over the last year, our commercial brand O2 in Spain joined the **European Union digital connectivity discount programme for vulnerable groups.**Beneficiaries of this programme can receive a €20 discount each month on O2 tariffs for connectivity in the

discount each month on O2 tariffs for connectivity in the home until December 2023. This initiative forms part of the general global commitment framework of the Telefónica Group to close the digital divide in Spain by enabling more homes to access the internet, something of great importance for social and professional development and integration.

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We also invested in the Universal Service in seven countries in 2022:

# **Universal Service (millions of euros)**

	2021	2022
Argentina <sup>4</sup>	47	38
Brazil <sup>5</sup>	62	75
Colombia <sup>6</sup>	36	67
Ecuador <sup>7</sup>	3	4
Spain <sup>8</sup>	8	13
Peru	11	12
Venezuela <sup>9</sup>	2	3
Total	169	212

# 2.10.4.2. Digital skills training

We are committed to making the enormous opportunities brought by the technological revolution work for as many people as possible, and we know that a key part of that goal is to ensure the digital skills needed to make effective use of digital services.

Changes are also taking place in the labour market due to the digital revolution and those changes are leading to new needs, as well as a demand for new profiles and professional skills.

Mainly through the Fundación Telefónica and our Telefónica Educación Digital business unit, we help people to acquire the digital knowledge and skills necessary to access the internet and make use of new services, facilitating education at several levels:

# Digital skills training

We want everyone to have technology know-how at their fingertips

#### 1. Basic digital skills

2. Intermediate digital skills

3. Employability and training in advanced digital skills



Offering our knowledge and skills to improve the digital skills of those people who need them most.



Training people in programming tools and technologies in order to improve the skills of the entire population.





Training young people in the professions of the future that will require advanced knowledge of technology and communications.

# > Training in basic skills

We work on initiatives, both our own and in partnership with third parties, to help people with no basic knowledge of new technologies learn how to use them.

The following programmes can be highlighted in this regard:

· Digital mobil im Alter (Digital Mobile for Seniors) in Germany: a training programme to show the elderly how to use smartphones and tablets, as well as to inspire and encourage them to explore the digital world.

- · Gurus: specialised sales staff at major stores (the flagship store on Gran Vía in Madrid and Movistar Centre in Barcelona) help answer questions about technology and services, as well as give recommendations and advice on better use of mobile devices.
- · Conecta Educación (Connect Education): a personalised online training programme (courses and workshops) aimed at promoting the digital transformation of social action that is adapted to different levels of digital literacy and labour market needs.

<sup>&</sup>lt;sup>4</sup> Argentina: the value reported for 2021 only includes figures from the January-November period. November and December estimated.

<sup>&</sup>lt;sup>5</sup> Brazil: 2022\*: FUST 272,086,640.54 and FUNTTEL 136,043,320.75.

 $<sup>^6</sup>$  Colombia: includes the figure paid in 2022. Exchange rate COP\$ \$4.421/€ average in 2022.

Ecuador: the payments correspond to 1% of Universal Service (FODETEL, payment made quarterly, based on the previous quarter's income). Includes payments by SMA, LDI, Portador and internet access.

Spain: the data corresponding to the 2021 and 2022 financial years include adjustments for income provisions from previous years to that date, in accordance with the final rulings received from the CNMC.

Venezuela: estimated in the last quarter.



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 Renacer Digital (Digital Rebirth): an initiative promoted by Fundación Telefónica to bring technology to the elderly through digital literacy workshops aimed at helping them to become digitally independent.

# > Training in intermediate digital skills

At this training level, we can highlight **Conecta Empleo** (Connect Employment), one of the most renowned employability programmes run by Fundación Telefónica: it offers free online courses and digital tools to help train people for the jobs in highest demand.

Aware that digital skills are essential for gaining access to the modern labour market, through *Conecta Empleo* we have launched *Profesionales 4.0*, an initiative in partnership with the Spanish Confederation of Business Organisations (CEOE) to encourage the digitalisation of productive sectors in Spain based on cross-cutting and sector-specific training programmes. This initiative has been run four times already since 2020.

The Conecta Empleo programme also has two tools aimed at facilitating the user's decisions: the "Job Map", which helps choose courses by showing the most highly in-demand digital jobs; and the Virtual Career Advisor, a chatbot based on artificial intelligence and big data that advises participants on designing the most suitable professional path for themselves.

Finally, the programme includes the Lanzaderas Conecta Empleo, which encompass the schemes Lanzadera Conecta Empleo, Satélites de Empleo and Alfabetización Digital. Their goal is to adapt career guidance to the challenges of the digital age and the ever-changing labour market. A total of 193 projects will be carried out by 2023.

# > Employability and training in advanced digital

Fundación Telefónica is promoting "42: Campus de Programación" under an agreement with the international organisation l'École 42. This initiative aims to make digital training an attractive and accessible educational option for many young people.

Based on an innovative methodology of proven effectiveness in other countries, "42" offers free and open training. Its educational model is based on peer-to-peer learning. It is participatory and gamified, and developed through the implementation of projects in different branches of programming. Each student sets his or her own pace of learning and the emphasis is on collaborative work in order also to teach such values as effort, tolerance of frustration, the ability to improve, and teamwork.

#### Targets on digital skills training

Our main target is to ensure that everyone has the necessary knowledge to be able to access and harness the advantages offered by the digital world.

To do so, each one of the initiatives defines specific plans and objectives each year, often together with our partners.

# > Progress on digital skills development

The "Digital Leaders" initiative was implemented in 2022. It consists of training workshops aimed at working on digital intelligence throughout the entire education community with a focus on digital skills and boosting positive use of technology in children and young adults.

Eight Renacer Digital workshops were organised in Spain, two of them at our two leading Movistar stores: Gran Vía in Madrid and Movistar Centre in Barcelona.

We launched the new Universitas Telefónica campus in Madrid, a new ecosystem for innovation in learning and a key part of the global Innovation and Talent Hub, with more than 2,000 square metres of space equipped with the most cutting-edge technology.

<u>Fundación Telefónica</u> has joined the Pact for the Digital Generation, an initiative by the Spanish Ministry of Economic Affairs and the Digital Transformation to provide the right tools and systems for training Spaniards in digital skills.

The Manifesto for the Improvement of Digital Skills in the Spanish Population (Pact for the Digital Generation) seeks to offer a core set of areas, abilities, key skills and performance levels so the public can have the chance to acquire, develop and improve their digital skills, based on a holistic and equal approach aligned with the European Digital Competence Framework for Citizens.

Together with nearly 50 Spanish entities, Fundación Telefónica is committed to moving forward on projects that can help to build a digitally competent society in which no one gets left behind.

Spain: The Official Chamber of Commerce of Spain in France (COCEF) awarded the 2022 CSR/Sustainability/ Social Award to our "42 Spain" project. Each year, these awards recognise organisations and individuals who play a fundamental role within the framework of relations between the two countries.



programming, among others.

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Miríadax is a platform that has been recognised as one of the five most important e-learning platforms in the world. It currently has over 7.6 million registered students, over 100 education partners and a teaching community made up of over 3,500 teachers. More than 30 new specialised courses have been added to its portfolio, on education trends, political communication, technology and

The Profuturo programme was created in 2016 and seeks to help improve universal and quality education by offering training and mentoring to teachers, as well as access to digital resources for children in the most vulnerable environments of countries in Latin America, Africa and Asia

In 2022 Profuturo direct and indirect benefited 7.2 million children around the world and more than 400,000 teachers.



Since the programme was launched, it has benefited a total of 27 million children and 1.3 million teachers. In 2022, we received more than 1.1 million visits to open education resources from more than 250.000 users.

In 2022, €38.6 million was made available to the programme, including contributions from the founders, private contributions and reserves. The programme involves work from 44 professionals, of whom 66% are women.

Apart from that, we also partner with the COCEDER initiative (Confederation of Rural Development Centres) to:

- Promote entrepreneurship and reduce the digital divide among women in rural environments in order to boost employability.
- Provide training and economic resources aimed at improvements in digital skills among rural women.

# 2.10.4.3. Innovation and relevant services

Having access to networks or ensuring that people have the necessary skills and knowledge is fundamental, but not enough to make sure they make use of new digital skills. **Solutions, services and content also need to bring added value to their daily lives.** 

The development of such solutions and content also allows us to respond to social challenges tied to health, education, rural economic development and security, among others.

Therefore, we innovate in new ranges of services, on the one hand, and, on the other, we encourage technology to become a key tool in the development of a more inclusive society.

# > Sustainable innovation: new services with an impact on society

We work on developing new products and services that can help to close the digital divide and foster a social impact.

These services range from health solutions to services capable of facilitating digital inclusion and technological development in rural regions.

Given the relevance of these issues, these products and services will be discussed in more detail in a separate chapter of this Report.



For further information, see chapter 2.13. Sustainable innovation

# 2.10.4.4. Secure and responsible use of technology

Closing the digital divide is key to generating trust: concerns and hesitancy over security and privacy risks must be minimised.

We adopt a holistic approach to this problem in order to offer a response to these risks and foster responsible use of new technologies, mainly by such vulnerable groups in society as children.

# > We guarantee the privacy and security of people accessing digital services

These are two strategic factors at our Company, so specific policies and commitments have been put in place.

We encourage everyone in society to use technology responsibly through a number of awareness initiatives and digital skills training. We are also aware of the need to have the necessary information and tools that enable users to know how to properly respond to any attempted fraud or breach of the privacy and security they enjoy in the products or services they use. For further information, see the chapters on "Privacy and security" and "Responsibility in our products and services".



For further information, see chapter 2.19. Privacy and security.



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# > Responsible use of technology

At Telefónica, we are convinced that meaning is given to technology by people, not the other way around. For that reason, we are firmly committed to **promoting responsible use of technology** and the protection of children on the internet. These efforts can be summarised into **six lines of action:** 

### Partnerships with stakeholders

Ensuring a more secure internet is a task we cannot tackle alone. At Telefónica, we work with partners in the sector and civil society to ensure all of us - children, young people and adults - remain aware that, although the internet is an open window to the world, it depends on us and our behaviour on the internet to ensure that the experience is healthy, safe and enriching.

In this regard, we can highlight our collaboration with:

- State law enforcement forces, as well as support for the various national hotlines: Alianza por la Seguridad en Internet ANATEL, Safernet, Te Protejo (Colombia and Mexico), UK Safer Internet Centre, Centre for Child Protection on the Internet, Alerta Amber, Secretaría Nacional de Niñez, Adolescencia y Familia (SENAF), INADI, etc.
- · NGOs and national associations: UNICEF, Faro Digital, Internet Matters, RedPapaz, ChildFund Ecuador, Plan Internacional Ecuador, Moders, Sin Trata A.C., El Abrojo, Gurises Unidos, Obra Social San Martín, Rescatando Sonrisas, Aldeas Infantiles, Obra Banneaux, Fundación Sophia, INAU, Inisa, Inefop, Ministerio de Educación y Cultura, Ministerio de Desarrollo y la Fundación Humaniza Josefina, Fundación Asperger de Venezuela (Fundasperven) y Comunidades WEPs Venezuela (ONU Mujeres), ONU Mulheres Brasil, Coalizão Empresarial Pelo Fim da Violência Contra Mulheres e Meninas, Comisión de Derechos de la Niñez y de la Adolescencia del Senado de la República (México), United States Department of Justice, International Centre for Missing & Exploited Children (ICMEC) y United Nations Office on Drugs and Crime (UNODC) (México), Alerta Amber, Fiscalía Especial para los Delitos de Violencia contra las Mujeres y Trata de Personas (FEVIMTRA)(México), Secretaría Ejecutiva del Sistema Nacional de Protección de Niñas, Niños y Adolescentes (SIPINNAi) y Aprende Mx, Comisión de Tecnologías de la Información y Contenidos Audiovisuales dirigidos a Niñas, Niños y Adolescentes (CTICNNA) (México), Festival de la Ciberseguridad para América Latina (México), Secretaría de Desarrollo Económico (SEDECO), Asociación Mexicana de Mujeres Jefas de Empresas (AMMJE) a través del Proyecto Womanx, Procuraduría Federal del Consumidor (PROFECO), etc.
- Actions with key stakeholders in the online protection of children and teenagers: Inhope, Insafe, ANATEL, Fundación Habla, Circuito Radial "FM Center", Construyendo Futuros, Te Contamos, Secretaría de Gobierno y Transformación Digital de la Presidencia del

Consejo de Ministros de Perú, safe internet centres, governments, etc.

Telefónica is also part of the following partnerships in order to promote the **exchange of best practice and the promotion of specific actions** around good use of the internet and technology at a global level: ICT Coalition and the Alliance to Better Protect Minors Online.

Both globally and locally, we continue to promote the acquisition of digital skills and encourage the healthy and safe use of technology through our participation in: DigitalES (Spain), Generación Única UNICEF (Argentina), Juntos por una Internet Segura - Ministerio de Telecomunicaciones y de la Sociedad de la Información (Ecuador), Mesas de trabajo Ministerio de Educación y Cultura, Instituto Nacional de la Juventud and Ministerio de Desarrollo Social (Uruguay).

#### **Content blocking**

In the proactive fight against content with images showing the sexual abuse of minors on the internet, Telefónica blocks these materials based on the guidelines and lists provided by the Internet Watch Foundation in the following countries: Ecuador, Spain, Mexico, United Kingdom, Uruguay and Venezuela. Telefónica Colombia does the same based on the URL lists provided by MINTIC, DIJIN, Coljuegos and legal authorities. This procedure always complies with **network neutrality**, the right to freedom of expression and, above all, current regulations at all times, and the blocking of content is also coordinated with the corresponding police forces and other public bodies.

# **Audiovisual environment**

The way we consume television has changed. However, children and teenagers are making **increasingly intensive use of audiovisual content.** Screens also play a fundamental role in their personal, social and civic development, which is why we believe it is vital to:

- Ensure our programming protects children from potentially inappropriate content.
- Create the tools needed to make good use of television, ensuring that parents have effective technical means that allow them to exercise their own responsibility over the television content watched by their children.
- Promote digital literacy among minors and their families in order to leverage the potential of audiovisual media, making them aware of the need for responsible and intelligent use of screens.





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That is why we have included the following initiatives in our operations:

- Labelling and cataloguing of content by age and type of content.
- Parental controls, parental PINs and purchase PINs on the device so customers can block access by children to certain channels and on-demand content.
- Adult content is presented in a section that is separate from other content and a special PIN must be entered to access it.
- Information on responsible TV use on the device itself and on the commercial website, as well as other awareness-raising activities on digital literacy.
- The M+ mobile app for smartphones and tablets.
- Profiles on devices for each member of the household so they can access their favourite content.
- Child profile on devices so that the youngest members of the household can browse content for "up to 12s" in a safe environment (available for tablets and smartphones running Android 8 or above and iOS 12 or above).

# **Products and services**

Although we at Telefónica believe that nothing can replace the role of an adult when it comes to educating children and young people on **healthy and safe use of screens**, whenever this is impossible we offer our customers various products and services that can help them:

- Parental controls: Qustodio (Chile), Control Parental Movistar TV (Venezuela and Colombia), Control Parental Movistar Internet (Colombia) and Ambiente Kids on Movistar TV with specific content for children (Ecuador).
- Security solutions with parental control functionality: Smart WiFi (Spain), Vivo Play TV and Vivo Play App (Brazil).
- Other services (anti-virus, personalised packs):
  Conexión Segura (Spain), O2 Protect (Germany),
  Localizador Familiar (Argentina), Seguridad Dispositivo
  (Spain), Seguridad Total and Premium McAfee (Chile),
  Seguridad Total (Colombia), Seguridad Total +
  Conexión Privada Móvil (Argentina), McAfee Seguridad
  Digital and Safe Connect (Brazil), McAfee Mobile
  Security Plus y Virgin Media Internet Security (UK) y
  Protección McAfee (México).

#### Working together with our suppliers

We assess the implementation of basic child protection parameters alongside our suppliers (especially in the field of security), from the design of terminals to the operating systems installed on them.

We ask device manufacturers and operating system providers to include the following:

- Mechanisms that protect children and teenagers: parental control, age restrictions, approval systems for the installation of applications, protection systems for purchases, limits on the use of applications and devices, etc.
- Self-monitoring mechanisms, known as "digital wellbeing", that enable better use of devices and offer options to the user on reducing possible dependence.
- Regular security updates to protect our customers from the new risks and threats that jeopardise user data and privacy while extending device lifetime.
- **Features** that help users to reduce distractions due to misuse of a mobile phone while driving (voice operation, muting of notifications, etc.).

# Education and awareness-raising initiatives

We are continually talking about the challenge of keeping up to date with developments in technology and having the necessary knowledge to live in an increasingly digitalised society in a conscious, responsible and safe manner. Every technological breakthrough places a new educational challenge before us all, both adults and children, that we should know how to harness to its best effect.

Fully aware of this situation, Telefónica is committed to developing training and awareness-raising initiatives for all our audiences.

- The **Dialogando** portal is a fine example of this. This
  initiative is up and running in 10 countries where our
  Company operates and it helps society to reflect on
  how we use technology in our daily lives thanks to
  resources prepared by a committee of experts on digital
  education and other issues.
- With the Blog ThinkBig, we also discuss the most popular issues related to the responsible use of technology among our stakeholders.



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Targets on responsible use of technology We endeavour to make the internet a safer place by promoting awareness-raising and training initiatives in which children and adults can learn to make the most of

the potential from digital tools.

At Telefónica, we are also committed to promoting and developing products and services that help families to successfully tackle the challenge of the digital world.

Progress on responsible use of technology

Throughout the year, numerous awareness-raising initiatives were carried out on the following topics: grooming, sexting, cyberbullying, digital divide, digital violence, tolerance on the Internet, digital well-being, responsible driving, online fraud, data privacy, digital identity, fake news, eSports and gaming, digital leisure, etc., with 9,902,501 people impacted. The following organisations, among others, supported us in these actions: Club de Malasmadres, FAD, iWomanish, Movistar Riders, Faro Digital, RedPapaz, Sin Trata A.C., Internet Matters, Fundación Habla and Circuito radial 'FM Center'.

Awareness-raising initiatives, such as #MyGameMyName2022, to combat male chauvinism in gaming demonstrate the need to continue educating people on the responsible, healthy and positive use of technology.







# **MILESTONES**

- → We have presented a "Rural Manifesto", a proposal to develop inclusive and sustainable rural networks.
- → We are strengthening our commitment to accessibility in our products and services. Movistar Plus+ increases its content offer with triple accessibility, exceeding 1,200.
- → We promote new awareness-raising campaigns to encourage the responsible use of technology and promote the digital inclusion of all groups.



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# 2.11. Customers

#### **KEY POINTS**



At Telefónica, through our Voice of the Customer programme we actively listen to our customers in order to improve processes and build a stable relationship based on trust.



Telefónica has launched a new transformation project to evolve our networks and operations using artificial intelligence to improve both our management and the customer experience.



The resilience of our network, customer service channels and tailored offer have led to an increase in the willingness of customers to recommend the Company once again this year, bringing the NPS to 30 points.

# 2.11.1. Vision

GRI 2-29, 3-3

The pandemic has changed, and led to the acceleration of ,certain initiatives that would have taken years to arrive at had it not been for the health crisis and its effects. The new landscape in which we find ourselves has resulted in an increase in e-commerce, teleworking, distance learning, etc. – in short, the need for more and better connectivity.

On top of this, there is the current geopolitical crisis that has entailed, among other things, a shortage of resources, a rise in prices and an environment in which cybersecurity is becoming increasingly important.

Telefónica plays a leading role in relation to all these aspects and strives to address these needs.

Customers are one of our main stakeholders and at Telefónica we work to offer them a unique experience, acting with integrity, commitment, simplicity and transparency in order to build relationships based on trust.

# **Values of our Customer Promise**

# Integrity

We fulfil our promises and acknowledge our mistakes

# Transparency

We proactively provide all important information

# **Simplicity**

We offer products and services that are easy to use and we are clear and direct in our communications

Our customers' experience, the quality plans designed to improve this and customer satisfaction measurements are strategic issues for Telefónica.

One of the most important issues in our materiality analysis is to ensure responsible conduct towards customers. In this analysis, we have identified, among other aspects, customer relations and adaptation to customer needs as issues that have a double impact on society and on Telefónica's image.

We must always meet our customers' expectations and build a relationship based on trust.

Throughout this chapter, we set out how we approach this challenge based on our customers' experience, which we measure through reputation and quality indicators.



For further information, see chapter 1.4. Materiality.



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# 2.11.2. Governance

When addressing customer issues, we do so with a twoway dialogue, globally and locally, to ensure a companywide commitment and a common strategy:

Body		Functions	Frequency	
Board of Direct	ctors	Approval of strategic plan including Net Promoter Score (NPS) targets	Ongoing	
Board Committees	Sustainability and Quality Committee	Monitoring of results and quality plans at a global and local level	_ Monthly	
		Overseeing and reviewing of Responsible Business Plan		
	Audit and Control Committee	Supervision of the results of reviews of the NPS measurement and reporting process.	Once a year	
	Appointments, Remuneration and Corporate Governance Committee	Approval of variable remuneration linked to NPS and RepTrak, among other indicators	Twice a year	
Local Quality	「eams	Monitoring, target-setting and approval of quality and continuous improvement plans	Ongoing	

# 2.11.3. Policies

Our main customer-related internal policies and regulations are as follows:

 Responsible Business Principles. They define how we should behave towards customers, employees, suppliers, shareholders and society in general.



For further information, see chapter 2.16. Governance and a culture of sustainability.

- Global Security Policy. This establishes and regulates
  the general provisions and guiding principles of the
  security issues referred to in the policy, which are
  applicable to all companies that make up the Telefónica
  Group.
- Principles of Artificial Intelligence. These set out the pillars on which Al is designed, developed and used.
- Global Privacy Policy. This establishes the general guidelines that Telefónica must progressively implement, not only in order to comply with the legal systems in force in each jurisdiction, but also to achieve homogeneous and uniform standards that form a common and general approach in relation to privacy for the entire Group.



For further information, see chapter 2.19. Privacy and Security.

- Responsible Communication Regulations. These lay down guidelines for Telefónica and our employees regarding our communication channels and content creation.
- Diversity and Inclusion Policy. This policy promotes equal treatment and opportunities for men and women, as well as for all demographic groups within the Company.



For further information, see chapter 2.7. Diversity and Inclusion.

 Global Human Rights Policy. It ensures respect for and implementation of internationally recognised social, economic and cultural human rights.



For further information, see chapter 2.15. Human Rights.

# 2.11.4. Risks and Opportunities

In today's highly competitive market, maintaining the **trust** of our customers is vital to the sustainability of our business.

**Responsibility towards customers** is fully integrated into the Company's **risk map.** The risk model allows us to identify Telefónica's actions or processes that lead to customer dissatisfaction and that could pose a risk that could lead the customer to lost trust in and/or leave the Company.



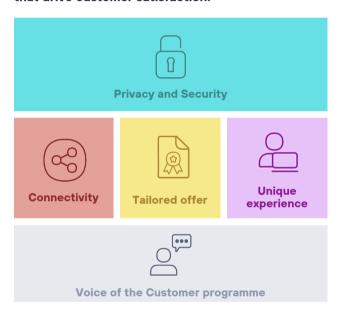
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This also allows us to focus on the continuous improvement of our operations and, with it, the **opportunity** to build a long-term relationship of trust with our customers.

The risk model for responsibility towards customers was updated in 2022 and will be implemented by the Company from 2023 onwards.

# 2.11.5. Action Plan and Commitments

While **respecting privacy** and ensuring the highest level of **security** in the processing of customer information and personal data, **we use the knowledge** we have **of the customer**, obtained through the Voice of the Customer programmes, to **build our strategy around the factors that drive customer satisfaction.** 



All Telefónica Group operators conduct monthly satisfaction surveys among our customers to learn how our services are perceived. In these surveys, we ask about the quality of the network, the commercial offer, the customer service we provide through various channels, bills, mobile top-ups and prices, among other things.

One of the indicators we obtain from these surveys is the *Net Promoter Score* (NPS). This information shows us our customers' satisfaction levels with our products and services and whether they would 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 operations.

This indicator has also been set as a **target** linked to Customer Trust for the variable remuneration of all the company's employees in the short term.

# > Reliable, robust connectivity for all

The network is one of our main assets.

Today's changing environment and accelerating digitalisation have underlined how **important it is to have a robust, stable and reliable network.** 

Connectivity is at the heart of our customers' day-to-day lives and our strategy is to offer the best network experience.

For this reason, Telefónica sets the customer's satisfaction with the functioning of the network as one of the targets for measuring its importance to customers.

As an example of our commitment in this regard,
Telefónica has launched the **Customer Experience Maturity Model transformation project in our main markets.** 

The main aim of this project is to elevate our Networks and Operations to an advanced level of Customer Experience Management (CEM) maturity.

The maximum level in this regard would make the following approach possible in the future:

- Actions to improve the customer experience to be taken based on the results of the data analysis.
- Technology investments to be based on customer experience data.
- Using Al and machine-learning algorithms to accelerate automation to anticipate customer quality issues before they occur.

To this end, a CEM Maturity framework has been defined, with six areas (Strategy, Customer Experience, Culture, Operations, Technology and Data) and five levels of Maturity. These areas and levels together form a Maturity Index, which is the main KPI to measure our progress in this transformation.

To move forward, we have a roadmap of improvement initiatives covering these aspects, including among others:

- Launching Customer Experience communication, recognition and training plans.
- Launching a cross-cutting Customer Experience unit.
- Making progress in the definition of Customer Experience models towards persona models.



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 Moving forward with the implementation of the Service Operation Centre (SOC) to evolve in the direction of automation and the proactive resolution of service faults.

#### > Tailored offer

At Telefónica, we create a **portfolio** of products and services **adapted to the needs of our customers**, improving and extending the offer to strengthen the relationship we have with them. In addition, it is consistent with the Company's sustainability requirements in terms of accessibility, ethics and positive social impact regarding both the environment and the customer's health.



For further information, see chapter 2.14. Contribution and impact on communities

As a result, traditional connectivity and communications services have been joined by digital TV and content services, cloud services, the Internet of Things (IoT), etc., as well as professional security, big data and IT services, among others.

Telefónica continues to improve its offer in the **residential segment,** seeking to set itself apart from its competitors by expanding its portfolio of services through the launch of digital security, health and energy ecosystems, among others.

In the **corporate segment**, we provide an integrated offer that speeds up the implementation of technology through our cybersecurity, cloud, IoT, big data, Al and blockchain services, technology solutions and business transformation support.

In order to help our customers incorporate **sustainability criteria into their purchasing decisions**, so that they can contribute to the transition towards a more sustainable society, Telefónica has the **Eco Smart** label, which identifies the environmental benefits provided by our products and services.



For further information, see chapter 2.4. Digital solutions for the green transition.

#### **Customer Health Index (CHI)**

In line with the above, in Spain we are implementing a new model to pursue excellence in the products and services we provide customers, from the initial development stage right through to maintenance once they are on the market. Through the Customer Health Index (CHI), we aim to tailor services to the needs of our customers. It interlinks with Responsibility by Design with regard to our products and services, aiming to develop services with a customer-oriented focus to achieve the least possible number of incidents throughout their life cycles.

The Voice of the Customer, collected through surveys, feeds back into this CHI. Our goal is for all our products and services to have a CHI above 90%, with corrective initiatives being established prior to market launch for those that do not achieve this.

# > Unique experience

The way in which we interact with our customers at our points of contact is undoubtedly one of the main areas in which we can **offer a unique experience.** 

This relationship must be based on accessibility, an omnichannel approach, transparency and convenience.

In this regard, we use the **Customer Effort Score** (CES), a metric that measures the ease with which our customers resolve their issues through our customer service channels, in order also to evaluate the digital transformation process of our points of contact. We set annual country and Company-wide targets.

Furthermore, the **Customer Satisfaction Index** (CSI), the result of the satisfaction question asked in the transactional surveys (conducted at the end of each contact), is used for the management/remuneration of customer support providers.



# Code of Ethics for sales calls

Movistar, Orange, Vodafone, the MASMOVIL Group and Euskaltel consolidate the agreement they reached in 2010 with the aim of stepping up controls and increasing consumer guarantees.

In order to offer consumers protection that is up to date with the habits of today's society and greater transparency in sales practices, the five major operators have signed a new Code of Ethics that consolidates the consensus reached in 2010. It acts as a self-regulation mechanism so that customers have all the guarantees they need when signing up for their services. This initiative is an initial starting point and other operators may join the agreement.



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#### **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. This includes the following measures:

- 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 trends in 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	Secretaria de Estado para el Avance Digital/CNMT	https://www.telefonica.es/es/acerca_de_telefonica/calidad/calidad-servicio	
Germany	Bundesnetzagentur	https://www.bundesnetzagentur.de/SharedDocs/Mediathek/Jahresberichte/ JB2021.pdf?_blob=publicationFile&v=5	
Brazil	Agencia Nacional de Telecomunicaciones (Anatel)	https://informacoes.anatel.gov.br/paineis/consumidor/reclamacoes	
Argentina	Ente Nacional de Comunicaciones (ENACOM)	http://datosabiertos.enacom.gob.ar/dashboards/20003/denuncias-y-reclamos/	
Chile	Servicio nacional del consumidor (SERNAC) y Subsecretaria de telecomunicaciones (SUBTEL)	https://www.subtel.gob.cl/ https://www.sernac.cl/portal/617/w3-channel.html	
Colombia	Comisión de Regulación en Telecomunicaciones (CRC)	https://www.postdata.gov.co/dataset/quejas-de-servicios-de-comunicaciones	
Peru	Ministerio de Transportes, Comunicaciones, Vivienda y Construcción/Organismo Supervisor de Inversión Privada (OSIPTEL)	https://serviciosanaliticos.osiptel.gob.pe/MicroStrategy/asp/Main.aspx? hiddensections=header%2Cpath%2CdockTop%2CdockLeft %2Cfooter&Server=SRVBI&Project=OSIPTEL+BI&Port=0&evt=3140&src=Main.aspx. 3140&documentID=D39628EA437893896BD8CFB2A3FA49CC&hiddensections=header%2Cpath%2CdockTop%2CdockLeft%2Cfooter	
Ecuador	Agencia de Regulación y Control de las comunicaciones (ARCOTEL)	https://regulatorios.movistar.com.ec/regulacion-legal/1398/bacon-261-par %C3%A1metros-de-calidad-general-octdic-2022	
Venezuela	Comisión Nacional de Telecomunicaciones (CONATEL)	http://sais.conatel.gob.ve/ http://www.conatel.gob.ve/reclamos/	
Mexico	Instituto Federal de Telecomunicaciones (IFT) Procuraduría Federal del Consumidor	http://www.ift.org.mx/usuarios-y-audiencias/informes-estadisticos-soy-usuario https://datos.profeco.gob.mx/datos_abiertos/#	



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For further information, see chapter 2.19. Privacy and security.

# > Voice of the Customer programme

Telefónica's digital transformation has contributed to the expansion and automation of active listening to customers as a management tool.

Our main businesses have customer listening tools in place at key points of contact. This has made it possible:

- To survey the most sensitive processes and "pain points" where immediate action can be taken to improve these processes and the customer experience.
- To transmit the Voice of the Customer to the entire organisation, from senior management to all the people who interact with customers through the different channels and processes, with a dual focus on quantitative and qualitative assessment. This information helps us to change and improve but not just internally, as it is also made available to suppliers involved in providing services.
- To integrate 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 root causes.
- To conduct an automatic analysis of customer literal opinion in order 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.

This close-the-loop process not only seeks to provide an immediate response to the incident raised by the customer after their interaction with one of our contact channels, but also to use the information collected as feedback to prioritise structural improvements in the Company's processes, preventing this incident from affecting other customers in the future.

Further down the line, it will also allow us to move from a reactive approach to customer experience to proactive actions, allowing us to anticipate the customer's needs.

# > Security and protection of customer data

Technology improves people's quality of life and generates wealth, provided that their privacy is respected and the highest level of security is guaranteed in 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, providing them with options to choose freely how their personal information is used.

For this reason, we work to protect the privacy and security of our customers to generate a relationship of trust with all those with whom we are associated.

# 2.11.6. Progress in 2022

**GRI 3-3** 

#### NPS results, developments and explanations

All Telefónica Group operators conduct monthly relationship satisfaction surveys among our customers to learn how our services are perceived. In these surveys we ask about the quality of the network, the range of products and services on offer, the customer service we provide through various channels, bills, mobile top-ups and prices, among other things. From the results, we obtain the **Net Promoter Score (NPS)**, among other indicators. This information enables us to find out our customers' satisfaction levels with our products and services and whether they would recommend us.

This indicator has also been set as a target linked to customer trust for the variable remuneration of all the Company's employees in the short term.

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 operations.

#### 2022 results

In the 2022 financial year, the overall calculation was carried out using the results of our operations in Spain, Germany, Brazil and Hispanoamerica.

The strength of our networks, tailoring our offer to the needs of our customers and our efforts to make procedures easier through our communication channels have led to an increase in customer trust, which translates into an increase in recommendations in the markets of Spain, Germany, Brazil and Hispanoamerica, from 26 (reported result 27) to 30, compared to 2021. We finished 4 points above the previous year and surpassed our annual target.

# **NPS Telefónica Group**

20211	2022
26	30

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

<sup>&</sup>lt;sup>1</sup> 2021 reported result 27.



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By segments we also achieve a exceptional results this year:

#### **NPS Telefónica Group (by segment)**

	2021	2022
B2C	19	23
B2B	55	58

Includes the three main operators (Spain, Germany and Brazil).

We improved by 4 points in the B2C segment compared to the result for 2021, and by 3 points in the B2B segment.

Among others, these results include the tailored offer and actions carried out following active listening as part of each operator's Voice of the Customer programme, about which some examples and figures are given below.

#### > 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, namely: 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. For example, in Spain, each regional manager takes action under their remit related to commercial issues, communication and the relationship with society. In 2022, we included factors that allow us to determine how the Company is perceived regarding ESG (environmental, social and governance) issues, as adequate management of these issues is becoming increasingly important for both companies and their various stakeholders in order to build a reputation.

Reputation is an indicator that has also been part of the variable remuneration of our employees since 2019.



For further information, see chapter 2.16. Governance and a culture of sustainability.

In 2022, the **combined RepTrak Pulse® score** consisted of the results for Germany, Brazil and Spain, with a score of 67 points out of 100.

Our long-term ambition is to have a reputation above 70 points, like other sectors such as the retail, automotive, and food and beverage sectors. These industries have been able to understand society's expectations and provide them with a higher level of satisfaction than others, which is a fundamental target for Telefónica. Therefore, surpassing the 70-point mark would demonstrate that the public recognises Telefónica as having a strong reputation, which means that they trust, admire and respect the Company.

#### > Voice of the Customer programmes

Our main operations use the same methodology, which has a positive impact on the sharing of best practices among our operations.

Anonymised data is used in all cases. It is updated after every interaction and is available online and from any device for any area of the organisation.

#### Spain

In its first year of operation, the programme enabled the launch of over 17 million questionnaires, obtaining nearly three million responses.

This provides information on various relevant KPIs, such as satisfaction with the process, with the channel and with the technician, operation, performance, devices, etc., as well as open questions where the customer can freely express their opinion of the service. These responses are analysed and classified using AI techniques to inform decision-making and continuously improve customer care.

## The handling of dissatisfied customers through the close-the-loop approach allows almost 70% of customers to end up being satisfied.

All levels of Telefónica's internal organisation, from the areas that work with the customer service channels to the Management Committee and our suppliers, have access to the Voice of the Customer tool, which allows them to take action to improve the satisfaction of Movistar's customers.

#### Germany

It uses its Voice of the Customer tool as a measure for 25 customer journeys and touchpoints, as well as ad hoc studies to measure, for example, user experience or how a product launch or campaign is received. It records around 1.2 million results per year in total.

In addition to collecting customer recommendation information (NPS) and the reasons why customers would recommend the service or not, to analyse the root cause other indicators such as Customer Effort, the percentage of unfriendly interactions, and the perception of the network, the brand and the price are also measured.

Around 5,000 calls are made per month to detracting customers, mainly to close the loop, which is reflected in a significant increase in the NPS score.

Advanced analytical tools have been created to analyse the information collected, allowing us to identify both weaknesses and strengths in our relationship with the customer, in order to carry out the necessary structural changes to correct our weaknesses and reinforce our strengths.



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All in all, since the launch of the programme in 2019 the relational NPS has increased by around 20 points.

#### Brazil

The Company launched its Vivo DNA Voice of the Customer programme in 2017. The platform, accessible from 2022 for Vivo's entire workforce, from the front line to the Executive Committee, received over three million responses through the Vivo DNA programme. This allowed it to capture the Voice of the Customer in a simple and streamlined way, add value to processes and services, and improve the customer experience.

Through the Vivo DNA Betas programme, aligned with the Company's collaborative digital culture, particular emphasis was given to those who are on the front line, putting them in contact with the business teams, as they contribute the experience of those who work directly with the customer to the business discussion.

Over one million transactions were processed through DNA Solve (its close-the-loop programme). It was awarded the **Customer Centricity World Series Award in the Complaint Handling category**. This accolade demonstrates that, following the resolution of a complaint, it is possible not only to transform detractor customers into promoters, but also to reduce the churn rate and implement structural solutions in the affected processes. **The resolution rate of the process was 75% and the churn reduction was 60%.** 

Thanks to this active listening, in the Brazilian SME segment we have identified the pain points that negatively impacted the customer experience, implementing initiatives to improve processing times, customer communication, self-management and logistics.

As a result:

- Sustained NPS growth was maintained throughout 2022, and with a positive difference compared to 2021.
- The CSI of the billing process improved compared to the previous year's negative trend.
- Customer complaints due to dissatisfaction with bills were reduced by 16% for mobile and 12% for fixed-line services.
- Customers bills claims were R\$24.5 million (BRL) less this year for mobile and R\$3 million (BRL) less for fixed telephony.

#### > Offer

The demand for a tailored offer to the needs of our customers is one of the lessons learned thanks to these Voice of the Customer programmes.

In **Spain**, miMovistar was launched. This is a new experience allowing customers to subscribe to, configure and manage what they need at any given moment and

what they are actually going to use. In this way, customers can configure their offer, choosing from a **range of options** designed to make their lives better. They decide what is best for them.

**Germany** launched O2 Grow, the country's first tariff that grows automatically every year without any price increases (every year customers enjoy 10 GB extra for free every month). This meets the customer's need for more and more data, using a greater number of devices, without having to pay more.

In addition, with *Testkarte*, customers can test our network (voice and data coverage) for 30 days free of charge before they have to decide whether they want to sign up with us. This is an excellent opportunity to test whether the product meets the customer's expectations and needs, thereby avoiding a bad post-purchase experience. And with the Flex for Free option, customers have a flexible contract with no minimum contract length and at no additional cost.

#### > Complaints



For further information, see chapter 2.12. Responsibility in our products and services.

In Spain and Brazil, in addition to the usual channels, we have offices to deal with escalated complaints.

#### **Customer Defence Service (Spain)**

The satisfactory resolution of complaints is vital for Telefónica. Listening to customers and resolving complaints has a decisive influence on both customer satisfaction rates and whether customers recommend services. For this reason, Telefónica has teams dedicated exclusively to dealing with any complaint whether by telephone, email or post.

As part of its commitment to providing quality to its customers, Telefónica stands out as the only telecommunications operator in Spain which, since 2006, has had a second level for managing escalated complaints. This is the Customer Defence Service (CDS), an independent area of the business that Telefónica provides to its customers as a higher authority for escalating complaints if they have not received a satisfactory response from the first line of customer service. The resolutions of the CDS are based on fair and independent criteria and are binding for the Company.

During the 2022 financial year, the CDS placed special emphasis on the cases of leasing of devices associated with bundled packages, which have also been affected since 29/10 by the change of contractual conditions derived from the new legislation for the telecommunications sector. In addition, as a result of proactive listening and the analysis of complaints, the CDS identifies opportunities for improvement in the processes and actions of the Group's companies, bringing them to the attention of the Customer Experience Committee with a view to improving internal processes to increase customer satisfaction.





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Since mid-2020, the Company has been encouraging online submission of complaints in the interests of digitalisation and environmental sustainability. This allows the Company to leave paper-based communication for cases where the need arises and involving sections of the population who must not be underserved (elderly people, those lacking the necessary resources, etc.).

In terms of the main activity indicators, the CDS received 3,264 letters from customers requesting action, 70% of which were admitted for processing. Resolutions issued in favour of customers accounted for 86% of the total.

#### **Ouvidoria** (Brazil)

Vivo has a channel for resolving customer complaints in the second instance, to assist those who have already used other service channels and have not had their problems resolved. The channel aims to transform every complaint into a story, which feeds back to the whole organisation in search of the best customer experience through our services. Its mission is to represent the interests of customers within the Company, acting impartially in the analysis and handling of complaints received, as well as in the review of internal processes.

Ouvidoria is open to all of the operator's customers who have, or have had, Vivo services.

In 2022, Ouvidoria Vivo was revamped, increasing its service capacity and we handled 37% more calls as a result. This change aimed to resolve customer complaints faster and, consequently, complaints lodged with Anatel (Brazil's Telecommunications Regulatory Agency) fell by 30% compared to 2021.

### (-<u>|</u>(-)

#### **MILESTONES**

- → We have adapted our offer to customer needs, with the launch of commercial propositions such as O2 Grow in Germany and miMovistar in Spain.
- → We have implemented a Voice of the Customer programme in our main operations.
- → We achieved record NPS results.



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# **2.12.** Responsibility in our products and services

#### **KEY POINTS**



Telefónica has maintained an optimal level of network availability and quality against the backdrop of a 20-30% year-on-year increase in traffic.



All our base stations comply with the limits on radio-electric emissions exposure established by the International Commission on Non-Ionizing Radiation Protection (ICNIRP).



All the products we market comply with international standards and local legislation in every market where we operate.

#### 2.12.1. Vision

At Telefónica, we have an enormous capacity to influence and bring added value to socio-economic development through the products and services we offer. Our technology solutions and communication networks can have a major positive impact on both society (see chapter 2.10. Digital inclusion) and on the protection of our environment (see chapter 2.4. Green digitalisation).



For further information, see chapter 2.10. Digital inclusion.

For further information, see chapter 2.4. Green digitalisation.

However, this contribution would not be complete if we did not ensure that our services **comply with all health and safety regulations and standards** while also bringing added value. This enables our customers to use solutions that go the extra mile and allows them to engage with digital services securely and with confidence.

We can highlight our lines of action in the following areas:

- Network quality and availability: our responsibility is to guarantee maximum access speed and information transmission capacity 24 hours a day from any device and location and in any situation.
- **Electromagnetic fields:** all our base stations comply with the restrictions on exposure to radio-electric

emissions established by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), a non-profit organisation acting as an official partner of the World Health Organization (WHO) and the International Labour Organization (ILO). We therefore guarantee entirely safe levels of exposure.

 Safety in our products: we make painstaking efforts to ensure the safety, proper functioning, accessibility and traceability of our products and services.

#### 2.12.2. Risks and opportunities

Technology has proven to be a highly valuable tool for tackling major social and environmental problems that need to be managed and minimised.

At Telefónica, we are fully aware and work hard in this direction by dedicating management time and resources to ensuring responsible use of technology (see chapter 2.10. Digital inclusion).



For further information, see chapter 2.10. Digital inclusion.

Similarly, technology creates opportunities and innovative digital solutions can be developed on a quality network (e.g. cloud services, the Internet of Things, big data, etc.),





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which also contribute to achieving the Sustainable Development Goals defined by the United Nations.

These solutions are not only used in business but also for social purposes, such as better understanding and reduction of the effects of climate change, natural disasters and pandemics, as well as analysis of migration problems.

**Guaranteeing network availability and quality** in the most remote areas (unconnected or with a poor connection) can also help to attract new customers and contributes to the social and economic development of these areas.

Furthermore, certain risks can be tied to poor connectivity. A telecommunications company that cannot guarantee network availability and quality will not survive in the market.

It is a risk not only for Telefónica, but also for society in general. Quality connectivity is one of the key driving forces for progress. In other words, without network availability/quality, people have no access to information, educational content, job opportunities or business development.

In terms of **electromagnetic fields**, there is a risk that fake news about 5G might potentially re-emerge via online media. This poses a disinformation risk regarding perception among the population on the safety of mobile telephony networks. Experience in this regard has taught us to more easily detect and anticipate fake news and to work together on providing a unanimous response to associations, institutions and industry from the sector.

We view the European Union's welcome of the publication of exposure limits from ICNIRP as a clear opportunity. This will foster greater regulatory alignment in terms of the roll-out of 5G and the radio-frequency exposure limits recommended by the scientific community.

We must also emphasise the value to the Company of offering reliable services that guarantee the health and safety of our customers and provide the highest standards of quality.

For Telefónica, the experience that a customer has when using our services via our devices is critical. We must therefore guarantee that our devices are safe for their health and reliable, not containing any noxious materials or dangerous substances. We even go a step further, by making sure they comply with international standards and local regulations, and ensuring that the materials used throughout the supply chain do not come from countries affected by a context of conflict.

The risk we face in terms of **safety in our products** is that a supplier fails to comply with our safety and quality standards. To minimise that risk, we certify our devices and optimise their response in our markets. We manage their life cycle and conduct inspections and quality controls on our products. Furthermore, we directly audit the facilities that produce the devices we develop ourselves. For all other devices, we guarantee quality during the sales activity at our stores, prioritising the most relevant features or those of most interest to customers, such as the performance or connectivity they offer and showing how sustainable they are via the Eco Rating awarded to each one.

Operators stand at the end of the supply chain, very close to the end user, and this is a huge opportunity. At Telefónica, we harness that opportunity by placing a focus on our customers and putting them at the centre of everything we do, engaging with them directly through our devices and attracting them with innovative next-gen services, using the latest technology and capabilities offered to us by the network.

#### 2.12.3. Network quality and availability

It is imperative for all of us at Telefónica to comply with national and international regulations to guarantee the quality of our products.

In this context, as a telecommunications and technology company, we have an **obligation to ensure the highest quality** in both our communications networks and in the new digital products and services we develop, market and deliver to our customers.

Our responsibility is to guarantee maximum access speed and information transmission capacity 24 hours per day from any device and location and in any situation.

The International Telecommunication Union (ITU) defines quality-of-service as the collective effect of performance which determines the degree of satisfaction of a user of the service. Our commitment to customers is to guarantee an optimal uninterrupted service and to be constantly transparent about our network status at all times, even during the most adverse situations.

To guarantee quality and the service we offer, we are constantly **evaluating and monitoring fixed and mobile communications.** This allows us to guarantee the availability of our service and respond immediately to any incidents that may arise at any time.

Our commitment to network availability and quality was strengthened more than ever as a result of the global crisis triggered by COVID-19. The traffic our infrastructure had to support during the worst moments of the pandemic **rose by over 50%** when compared with the traffic recorded on the same dates in previous years.

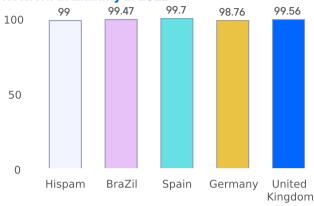
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Education, many working activities, healthcare and commercial activities, etc., were able to take place online via our networks, demonstrating that our commitment over many years to achieving one of the most efficient and developed broadband infrastructures in the world was worth the effort.

#### Network availability in 2022\*



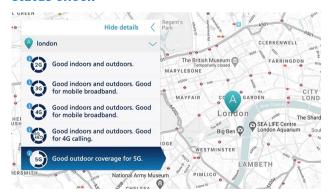
\*Fixed and mobile network in Brazil and Spain. Mobile network in Germany and UK

Connectivity is the basis of our business, which is why we invest heavily in high-quality resilient infrastructures to ensure that more households every day have the opportunity to access the digital world.



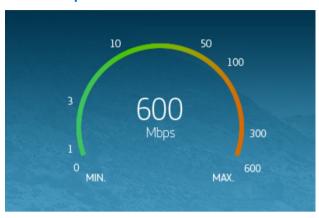
We are transparent and regularly publish information on the quality of our service. By doing so, we enable online checks of **mobile network status in real time** via our Internet portals.

## Example of a real-time VMED O2 UK network status check



We also supply details about **upload and download speeds** of the Internet connection from any location (e.g. the Movistar Speed Test). This provides users with access to quality information and enables them to enjoy greater efficiency in the use of connectivity, as well as the swift identification of potential incidents.

#### **Movistar Speed Test**



By relating the various functions of an electronic communications service – contracting, maintenance, connection, billing – to the various criteria that users may apply when assessing their service quality (**speed**, **accuracy**, **availability**, **reliability**, etc.), a set of observable and measurable parameters can be defined to provide an objective and comparable representation of service quality to the user.

Of course, we are aware that **natural phenomena**, external factors, power cuts, etc., can cause occasional and localised service interruptions. To minimise the duration of any incident as far as possible, we work continuously on building greater resilience.

#### **Progress**

In accordance with the international standard on telecommunication services from the SASB (Sustainability Accounting Standards Board), we assess a series of indicators relating to the quality and transparency of our services. Due to the particular features of each technology, these calculations can only be performed on each technology separately and the results depend on the geography of the regions where the service is operating.

We continued to report on all services (voice, data and television) in 2022, for both the fixed and mobile networks of Telefónica Spain.

Analysis of the average interruption frequency and duration indicators (TC-TL-550a.1) supports the conclusion that **service availability was above 99.9% -** despite a significant year-on-year traffic increase of more than 20-30%.



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The **critical situations** that arose during the course of last year and which impacted our service are listed below:

#### **Critical situations by country**

GERMANY (LOCAL) June 2022			
Crisis	Interruption to the mobile data, Internet connection and roaming service throughout the country		
Type of crisis	Mobile data service failure.		
Impact	Users were unable to access 4G and 5G services for 35 minutes. As a result, 2G services became overloaded, preventing correct provision of service. Fixed network customers were also unable to make calls.		
Actions	Service was re-established following an increase in Home Subscriber Server (HSS) capacity.		
GERMANY (L	OCAL) November 2022		
Crisis	Interruption to the mobile data service throughout the country		
Type of crisis	System overload following an IP routing power cut caused by an incorrect power cabling.		
Impact	Users were unable to make calls via the 4G network, VoWiFi or the fixed network. The 2G services became overloaded as a result, preventing correct provision of service. This incident lasted for three hours on the fixed network and six hours on the mobile network.		

#### **BRAZIL (LOCAL) July 2022**

Actions

Crisis	Interruption to the mobile data service in the state or Roraima
Type of crisis	Mobile data service failure.
Impact	Complete outage of 2G, 3G and 4G data traffic for three hours and five minutes in the state of Roraima due to the simultaneous lack of availability of the two networks that serve the state.
Actions	Service was re-established following recovery of the fibre optic cable on one of the networks (section between Boa Vista and Manaus).

A software-based overload control mechanism was implemented in the mobile telephony switchboards.

#### CHILE (LOCAL) March 2022

Crisis	Interruption to the mobile data service throughout the country
Type of crisis	Mobile data service failure.
Impact	Interruption to the 3G mobile service due to a network overload, causing circuit blockages that affected mobile switching centres (MSCs).
Actions	A software-based overload control mechanism was implemented in the mobile telephony switchboards.

#### SPAIN (LOCAL) February 2022

Crisis	Call sending and receiving problems for corporate customers throughout the country
Type of crisis	Software failure.
Impact	Poor quality and timings when sending and receiving calls for corporate customers for three hours.
Actions	Service was recovered after restarting one of the balancers. The opportunity was taken to clean connections by removing TNI traffic to avoid saturation.

In addition to these network service incidents, due to the seriousness of the circumstances, situations have arisen that are managed directly by Telefónica's global crisis committee.



For further information, see chapter 2.19. Privacy and security

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#### **SASB** indicators

		2022
	FIXED LINE NETWORK: average actual sustained download speed in megabits per second (Mbps) of owned and commercially associated content.	-FTTH600: 615,925Mbps -FTTH1000: 911,302Mbps -There is no differential assessment between associated and non-associated content
TO TI 500 0 (*)	MOBILE NETWORK: average actual sustained download speed in megabits per second (Mbps) of owned and commercially associated content.	-4G: 45,93Mbps -There is no differential assessment between associated and non-associated content
TC-TL-520a.2 (*)	FIXED LINE NETWORK: average actual sustained download speed in megabits per second (Mbps) of non-associated content.	- FTTH 600: 615,925 Mbps - FTTH 1000: 911,302 Mbps -There is no differential assessment between associated and non-associated content
	MOBILE NETWORK: average actual sustained download speed in megabits per second (Mbps) of non-partnered content.	-4G: 45,93Mbps -There is no differential assessment between associated and non-associated content
	FIXED LINE NETWORK: system average interruption frequency (interruptions per customer).	1.90
TC-TL-550a.1 <sup>1</sup>	MOBILE NETWORK: system average interruption frequency (interruptions per customer).	25.25
	FIXED LINE NETWORK: customer average interruption duration (hours per customer).	3.38
	MOBILE NETWORK: customer average interruption duration (hours per customer).	0.03



For more information, see chapter 2.21. Appendix: SASB compliance table

#### 2.12.4. Electromagnetic fields

In all countries where we operate, we comply with the **exposure limits** for electromagnetic emissions established by independent scientific organisations, such as the International Commission on Non-Ionizing Radiation Protection (ICNIRP), based on scientific evidence.

Compliance with these recently revised and updated standards ensures that we deploy a secure network, including 5G, as these guidelines are endorsed by the World Health Organization (WHO) and the International Telecommunication Union (UIT).

We monitor compliance with these limits in all operations and verify that all terminals and equipment offering our service meet international safety standards including SAR (Specific Absorption Rate) values.

We also have a Manual of Good Practices that acts as a guide for our teams and lists all initiatives taken within the Group in the different countries in which we operate. All these practices have a common interest in establishing a proper relationship with those communities we intend to serve. In this context, we work in coordination with institutions and operators in order to have a

communication and dialogue strategy that helps the general public to detect fake news about 5G technology.

#### > The 5G standard

The electromagnetic frequencies used for 5G are part of the radio frequency spectrum that has been researched extensively in terms of health impacts over decades, i.e. over 50 years of scientific research has been conducted on the possible health effects of radio signals used for mobile phones, base stations and other wireless services, including planned frequencies for 5G exposures.

The results of these studies have been analysed by many expert review groups. They all conclude that there is no evidence linking exposure below the guidelines set by the International Commission on Non-Ionizing Radiation Protection to known health risks for adults or children.

#### > Commitment to research

The scientific research in this field is a priority area for the World Health Organization. Similarly, the research programme of the European Union includes different projects in this area with the aim of addressing possible health effects of the electromagnetic fields.

<sup>&</sup>lt;sup>1</sup> Data corresponding to Telefónica Spain.





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Telefónica closely follows these projects and supports research by the German Federal Agency for Radiation Protection (BfS) on the development of leukaemia in predisposed animal models exposed to magnetic fields. In particular, we support the group of Spanish scientific researchers from the Salamanca Cancer Centre (CSIC) working on this study. The study will take three years to complete and results will be delivered in 2023.

#### **Progress**

In 2022, we conducted 46,861 measurements at our base stations

These have always been below ICNIRP levels in every country where we operate, even those without their own regulation.

## **2.12.5.** Health and safety in our products GRI 416-1, 416-2

At Telefónica, we do a thorough job of ensuring the security, smooth operation, accessibility and traceability of our products.

That is why we apply all the necessary protocols to ensure that 100% of the devices we market, which represent the most significant risk to the health and safety of our customers, comply with both international standards and local legislation everywhere we operate.

In one way or another, these certificates affect customers' safety, quality and experience as users and, in many cases, go beyond legal requirements. Non-compliance in these areas was not detected in any region in 2021.

In particular, at Telefónica, we also require the **RoHS certificate** (Restriction of Hazardous Substances, version 3) from all suppliers of terminals, not only for European markets but for all markets in which we operate, which restricts the use of certain hazardous substances (lead, mercury, cadmium, chrome VI, PBB and PBDE, etc.) in electrical and electronic equipment and the **SAR** (Specific Absorption Rate) of mobile phones, ensuring that none of them represent a health hazard for our customers. We also require that devices we sell have the **GCF** (Global Certification Forum) certificate. This guarantees that the connection with the mobile network works correctly, including emergency calls.

As for the rest of the equipment deployed in a residential setting and associated with access to the fixed network (routers-HGUs, WiFi amplifiers-repeaters, Movistar Home, etc.), we comply with all the common international standards that also apply to these types of devices, such as **CE marking** and **RoHS**, as well as local legislation required in each of the markets where we are present.

But we also go a step further in our commitment to the security of our products by conducting inspections and audits directly on our manufacturers' premises as part of the entire development process. In this way, we guarantee the quality of the installations, their quality control processes, the use of non-hazardous materials, safety regulations at the facilities, etc. For this purpose, we carry out what is known as Pre-Shipment Inspection which includes:

- BoM check.
- · Validation of firmware version used.
- · Verification of labels, manuals, cables and PSU.
- · Verification of PCBA version used.
- · Verification of housing used.

It should be noted that the verification of the implemented firmware versions, packaging and housing of the equipment is also carried out in the logistics areas of each of our countries.

#### **Progress**

No non-compliance in these areas was detected in any region in 2022.



#### **MILESTONES**

- → Network availability was above 99.9% throughout the year.
- → We worked with the Emerge-5G research project to develop electromagnetic field exposure assessment methods in new 5G use cases.
- → We complied with the emissions levels established by the ICNIRP, even in countries without their own regulation.
- → 100% of the devices we market meet international standards and local legislation in the markets where we operate.



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## 2.13. Sustainable Innovation

GRI 3-3

#### **KEY POINTS**



We have invested more than 700 million euros in R&D and drive internal innovation and the entrepreneurial ecosystem to maintain our competitive position and contribute to socio-economic development.



We evolve our technology and operating model, taking advantage of all technological advances to achieve the best customer experience based on sustainable, efficient and secure infrastructures.



We are among the top 50 European companies in terms of R&D investment, as evidenced by a portfolio of 344 patents and 9 utility models.

#### 2.13.1. Vision

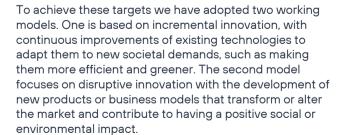
Telefónica has been recognised from the outset as being an innovative company. We understand innovation as the ability to anticipate the future, to understand the needs and challenges of society and our customers, and to be able to build an organisation that fosters a culture that drives transformation and entrepreneurship.

Innovation is a strategic building block that allows us to both develop solutions and products that tackle social and environmental challenges and transform ourselves to become a company that has a greater positive impact.

Innovation is a strategic building block that allows us to develop solutions that tackle social and environmental challenges.







These models are reflected on the activity developed transversally into the organization by the Core Innovation unit, commercial business units or the network and IT areas, and at the same time in fostering the external entrepreneurship and start-ups ecosystem to benefit from the innovation developed outside the Company.

#### 2.13.2. Governance and policies

The main framework for our commitment to innovation is set out in our Responsible Business Principles, the Company's code of ethics, section five of which reflects our commitment to innovation, development and the responsible use of technology.

As innovation is a cross-cutting process throughout the organisation, there is no one centralised management and governance of all the processes involved. However, there are a number of internal organisational structures that drive and lead the different key aspects, including a Strategy and Innovation Committee that advises and provides support in all matters related to innovation.

The main areas within the organisation involved in innovation management are as follows:

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#### **Core innovation**

- · Identifies opportunities to reinvent ourselves in the medium and long
- · Managed by the Telefónica Research and Development unit

#### Internal **Innovation**



#### **Network and** systems innovation

- · Creates capabilities to develop and integrate technological components in our networks and systems, to offer a unique experience in a competitive, secure and sustainable way.
- · Coordinated by the GCTIO (Global Chief Technology and Information Officer).



**Innovation in new** products and commercial offerings

- Expands the Company's portfolio with solutions that address market demands and social challenges.
- · Driven by teams in the various local business units.

#### Open innovation



**Promoting** entrepreneurship & start-ups

- · Connects Telefónica with technological disruptors around the world; it promotes entrepreneurship and start-ups and invests in companies (venture capital) to incorporate new solutions into the Company.
- Units such as Open Future, Wayra and Telefónica Venture Capital manage and coordinate the activities.

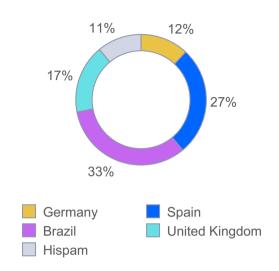
#### **Main innovation indicators**

	2020	2021	2022
R&D+i investment (million euros)	4,626	4,378	3,721
Percentage R&D+i investment/revenues	11%	11%	9%
R&D investment (million euros)	959	835	714
Percentage R&D investment/revenues	2%	2%	2%
Percentage annual increase/decrease of R&D investment	11%	-13%	-15%
Patent portfolio	355	336	344
Industrial design portfolio	75	75	91
Utility model portfolio	10	10	9
Industrial property rights portfolio	440	421	444

These figures have been calculated using the guidelines established in the OECD manual.

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#### **Investment by region**



In addition, innovation investment management, which encompasses both early innovation efforts through R&D and disruptive approaches to existing technologies, results in a number of IP assets that can become differentiating factors for our future services or be marketed by third parties through license agreements.

Currently, according to the Observatory for Industrial R&D of the European Union, we are among the top 50 companies in Europe in terms of R&D investment.. In 2022, the Telefónica Group registered 14 new patent families, related to telecommunications technologies, digital products and services, as well as two families of industrial designs. Our portfolio therefore amounts to 444 technological industrial property rights with current or potential value.

#### New assets generated in 2022

Assets	Scope
14 patents	10 European patents Four international PCT patents
Two industrial designs	European Union Intellectual Property Office and Chile

Finally, with the aim of combining technological innovation with training in new digital skills in line with our historical commitment to education, in 2022 we launched the Innovation and Talent Hub at the Company's headquarters in Madrid. The hub will continue to developing and expanding its activity in the coming years.

#### 2.13.3. Risks and opportunities

Technological disruption, the importance of connectivity and digitalisation, and the need to optimise network monetisation and customer experience bring both risks and opportunities for the telecommunications sector.

Innovation is key to ensuring transformation that delivers efficiency, business growth and user confidence.

We also take into account the risks and opportunities arising from new developments and technologies. In general, said risks relate to misuse of what is being developed or inappropriate developments that may lead to unintended negative impacts. This is why we carry out a thorough and detailed analysis of the target we want to achieve and the problems we want to solve.

In addition, innovation is an activity in which risks are inevitable. We are aware that a significant part of the activity carried out will not have a major impact on the business.

For this reason, for example, in the Core Innovation teams, a process has been designed whereby progressively more resources are allocated to projects as they eliminate the associated risks. Activities are prioritised so that risk elimination tasks are completed as early as possible in the development cycle. It has a tracking system focused on OKRs (Objectives and Key Results), early market validation and acceptance of failure as a form of learning. The result is a highly optimised resource management model that minimises investment in projects that fail and accelerates investment in those activities that demonstrate a higher return.

In network and systems innovation, one of the main risks is that the resulting solution does not achieve the necessary degree of adoption, that is, it does not achieve the economy of scale to be competitive and sustainable. This risk is mitigated by aligning requirements in procurement processes and collaborating with other operators and in standardisation bodies or industry associations. Also, the processing power that quantum computing will bring will open up opportunities for the processing of massive data, the development of advanced research and the launch of new services, but it also threatens the vulnerability of current cryptography systems and critical infrastructures such as communications networks.

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# Sustainable innovation becomes our main asset in terms of making a positive contribution towards fulfilling our purpose.



## 2.13.4. Action plan, commitments and progress

To better understand the progress made towards innovation over the last year, as well as the main targets and initiatives, we will look at each of the activities carried out by the main areas involved.

#### 2.13.4.1. Core disruptive innovation

Our priority is to develop new digital services that improve people's lives. To do so, we leverage the Company's main assets, such as networks, digital platforms, data, etc.

The current global business units, such as Internet of Things (IoT), big data and video, have their roots in projects developed years ago by the Core Innovation teams

The main lines of activity are related to innovation in new network capacities, innovation in new technologies and services and applied research.

Innovation in new technologies and services
At Telefónica we are analysing new opportunities in the metaverse. We are working on developing communications networks to meet all the needs that will arise due to the development of the metaverse and virtual reality. During 2022, we had a virtual space at AltspaceVR as part of the Innovation and Talent Hub and joined the Metaverse Standards Forum.

Another line of work focuses on **Web3**, which provides a financial layer on top of the web that facilitates frictionless financial transactions online, creating opportunities for innovative business models. We have launched our own NFT marketplace, a platform for the creation and sale of digital art where we have collaborated with Fundación Telefónica and other social organisations.

In **entertainment and video**, in 2022, we enhanced the Living Apps element of Movistar Plus+ in Spain and Vivo Play TV in Brazil to host experiences in areas such as retail(offering shopping through the TV), education (LinkedIn Learning) and sport (Estadio Infinito). We also improved the integration of social media with the TV platform, creating cross-platform interaction experiences between the two worlds with the new Living Apps for Twitter and TikTok Extra.

In addition, we analysed **cognitive digital marketing** opportunities, applying artificial intelligence (AI) algorithms to data. The aim is to achieve better marketing results while ensuring **consumer privacy, our ethical commitments** in the development of algorithms and AI and to meet the needs of our customers. We are currently working with other operators to create an advertising identification solution through which customers retain control over when, how and with whom they share their data

Lastly, we would like to highlight how we are harnessing Al to improve sport. As our testing ground, we are working with the elite sportsmen and women sponsored by Telefónica in cycling (Movistar Team), badminton (Carolina Marín) and tennis (Rafael Nadal).

#### **Applied research**

In order to be a pioneer in the technological world, we dedicate part of our innovation efforts to improving the state of the art of certain technologies. We collaborate with public and private organisations and universities both nationally and internationally.

Highlights in this regard include work on improving Al as applied to the Spanish language (in collaboration with the Royal Spanish Academy), projects aimed at preserving privacy and new systems for collaboration between humans and machines through cross-modal communication.



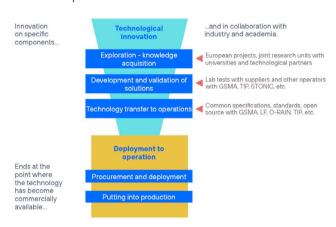
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#### 2.13.4.2. Network and systems innovation

We are working towards a new high-impact network and systems capabilities and improving the commercial availability of the most strategic of these.

To this end, we cover all stages of innovation, from ideation to the market availability of commercial solutions in collaboration with other operators, partners and customers.

The diagram below shows the different stages of the innovation process:



Our activities are organised around the long-term global programme Autonomous Network Journey. This programme is led by the Operational Transformation Department, with the collaboration of the Technological Innovation and Ecosystems Department, and is implemented in each of the Group's operators through local projects.

The three pillars of this programme are high-capacity and energy-efficient networks; flexible architecture based on software and new cloud-native technologies; and dataand Al-driven operations with a high level of automation and/or assistance for the network operator.

High-capacity and energy-efficient networks The intention is to develop differential capabilities to create a competitive advantage based on improved performance, optimal utilisation and increased efficiency.

Highlights include the following areas of work:

· New generations of mobile networks (5G and 6G): we participate in European projects to define and develop 5G technology, such as METIS, 5Growth, 5G-Transformer, 5G-EVE and 5G-VINNI.We have been very active in demonstrating 5G capabilities in both public and private networks, and one example is the development of use cases in healthcare and tourism as part of our 5TONIC ecosystem.

We are also currently involved in major European projects in Beyond 5G and 6G, contributing in various fields, including sustainability and security.

We contribute to the development of new mobile communication networks to make them more sustainable and secure.



- · Communications at home: we are pursuing a highperformance WiFi solution that allows us to control and program the home network at a competitive cost, and enables agile development and deployment of new very high-definition (8K) or immersive entertainment services that use virtual or augmented reality.
- Open and decoupled networks: the aim is to foster diversity in supply, flexibility in incorporating both innovation and new designs, and efficiency. Following a series of pilots and strategic agreements with partners such as Rakuten, Mavenir, Intel, Supermicro, XilinX and NEC throughout 2019-21, we now have open radio solutions, OpenRAN, ready for deployment in our operations from 2023.

In addition, we worked with Open Broadband partners on an open, multi-vendor fixed access solution that works flexibly with both current GPON technology and XGS-PON, the next generation with 10 Gbps speeds, a solution that is ready for deployment in 2023.

Lastly, research work on high-capacity solutions and technologies in the access network deserves a special mention. In 2022 we tested the use of coherent optics to provide two-way 100 Gbps point-to-point channels over a fibre access network.

· Quantum communications: to address the challenges of quantum communications we are adopting new technologies, currently under development, such as Quantum Key Distribution (QKD) and Post-Quantum Cryptography (PQC).

Since 2009, we have been testing QKD prototypes and products in our lab and have a quantum communications ring deployed in Madrid, where we have demonstrated the integration of QKD technology in a real-world environment and incorporated it into the European Quantum Communication Infrastructure (Euro-QCI).

We collaborate with the Center for Computational Simulation (CCS) at the Polytechnic University of Madrid and have recently participated in the launch of the Post-Quantum Telco Networks project at the GSMA to identify requirements for the future evolution of cryptography and define the roadmap towards secure networks in the era of quantum computing.



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#### **Data-driven operations and AI**

New technologies, as they are software-based and virtual, allow many control and automation tools to be reused; however, they are more complex to operate and incorporate a greater range and number of suppliers, since they are more modular and open. We are therefore developing initiatives with the aim of moving towards the zero-touch, data-driven operation of our networks and systems.

#### 2.13.4.2. Open innovation

Our open innovation strategy seeks to attract talent, technology and new businesses. We promote the innovation that comes from startups and scaleups, under a venture capital model, with a triple aim:

- Generate additional revenue by incorporating the technology/products developed by these startups into our range of digital services and transform internal Company processes.
- Seize growth opportunities beyond the telecoms sector by investing in game changers, companies that are developing disruptive technologies and products that could revolutionise the market.
- Obtain a financial return by increasing the value of the startups we have invested in.

Thanks to these targets, out of the more than 1,000 enterprises in which we have invested, 300 have ended up working with Telefónica, generating €500 million for the Company. Most importantly, they enable us to take their innovative solutions to our customers to help them in their digital transformation and use them internally to generate efficiencies.

#### Software and cloud-based architecture

The functionalities developed for a cloud environment that are currently used in business and operational systems are not well suited to network applications. The unlocking of these capabilities is essential to facilitate the proper integration with operational systems, the introduction of new functionalities and the development of products and services. However, this architecture also poses integrity and security risks.

To deal with these risks we are developing the **Telco Cloud** initiative, which aims to ensure the availability of commercial solutions for the virtualisation (cloud) layer and provide tools to manage the complexity of a multicloud hybrid environment.

In this regard, we lead the open source OSM project at ETSI, which is developing an open solution for the management of a virtualised network environment. In November 2022 we participated in the launch of the Sylva open source project, under the newly created Linux Foundation Europe, together with other European network operators and providers. This project will create a software solution tailored to telecommunications and edge computing services and will help tackle the current fragmentation, reduce complexity and accelerate migration to the cloud.

The work we have done helps us to meet the requirements of the European Union in relation to privacy, security and energy efficiency in the migration to the cloud.







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#### Main initiatives of the Open Innovation area

Since 2011, this has been our flagship open innovation programme. Present in nine countries in Latin America and Europe, Wayra is a complete and unique interface between entrepreneurs and our network of partners (large companies, governments and other important stakeholders). It has a corporate venture capital fund. It invests alongside other leading venture capital firms in late seed start-ups and in sectors such as entertainment (gaming and video), IoT, big data, AI, eHealth, Fintech, energy, the metaverse and Web3.

#### Wayra

Over €65 million has been invested in more than 850 startups in total. We currently have over 400 active startups in our portfolio and eight innovation hubs, spaces that allow us to showcase the most innovative startup technologies to our customers and partners. Examples include the Wayra Tech Labs, opened in Germany in 2021 and Barcelona in March 2022. It also develops corporate open innovation programmes for third parties.

#### Wayra Builder

Launched in 2020, it allows users to explore and find patents, technologies or products developed internally at Telefónica that have the potential to be transformed into startups. The goal is to create independent startups using these technologies that meet current market needs.

#### Wayra X

This is our 100% digital hub, launched in 2020, for investing in startups with digital products for mass consumption with a focus on 5G, eHealth, eLearning, sustainability, entertainment and Fintech, among others. Since its launch, it has invested €1 million in over 13 startups in 10 countries.

#### Telefónica Ventures

This is our corporate venture capital vehicle that makes strategic investments in growth stage startups. The intention is to address the main challenges facing the telecommunications industry and create new businesses by leveraging cutting-edge technologies.

It invests directly in startups with investment tickets ranging from €350,000 to €5 million and indirectly through a network of leading venture capital funds in key markets. In total, since its launch in 2006, it has invested €155 million and has a current portfolio of 16 startups it has invested in directly, plus over 100 startups it has invested in through its network of 14 venture capital funds.

There are also other initiatives to support the progress of startups at earlier stages of development or those related to the academic world.

 Open Future: launched in 2014, this is a strategic regional entrepreneurship programme developed in collaboration with public and private partners. Open Future supports local startups in their early stages to foster the creation of an entrepreneurial ecosystem outside the big cities. Since its launch, it has accelerated 1,296 projects, creating around 4,900 jobs. Open Future currently has 30 hubs in Spain and Argentina.

In 2022, two new entrepreneurship spaces were opened in Andalusia (Spain), in Port of Huelva and Zona Franca de Cádiz, as well as one in Valencia, called Opentop.

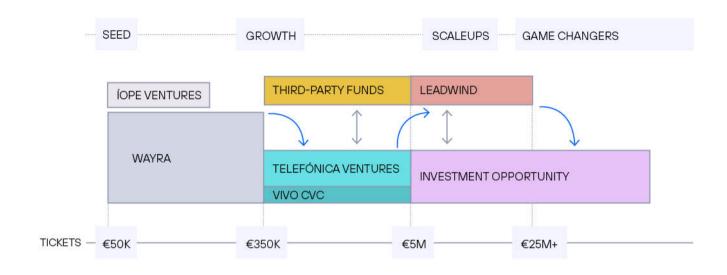
 Open Innovation Campus: through this initiative we design and develop models of collaboration with the academic world to connect with young people and incorporate new talent into the Company.



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#### **Main indicators**

	2022
Open Innovation portfolio/active start-ups	550
Start-ups working with Telefónica	189
Countries in which it is present	10
Wayra hubs	8
Open Future spaces	30
Start-ups invested in by Wayra	865
Start-ups invested in directly by Telefónica Ventures	35
Direct investment in start-ups in 2022 (million euros)	13,3
Start-ups invested in by Telefónica Ventures through other funds	205
Investment through third parties in startups (million euros)	2,500
Total cumulative investment (Wayra + Telefónica Ventures, direct and indirect) (million euros)	221

Over the course of 2022, we invested €5.7 million in 40 start-ups through Wayra.

Telefónica Ventures allocated almost €20 million to several strategic investments, including Leadwind, a new independent venture capital fund to invest in fast-growing start-ups using disruptive and transformative technology in Southern Europe and Brazil.

Among the main areas of investment, we should mention projects related to:

 The metaverse and Web3, where Wayra invested in Gamium, the first decentralised social metaverse and token economy; Crossmint, a platform for buying NFT digital assets; and MetaSoccer, the metaverse for football fans. Telefónica Ventures also invested in Helium (through Borderless Capital and Nova Labs), a decentralised network supported on blockchain through a tokenised reward model based on usage.

- Fintech, where Wayra invested in Rand, a start-up that
  offers a mobile wallet and credit card aimed at
  Generation Z; Raylo, a mobile device leasing and
  refurbishment platform in the UK; and UnDosTres,
  which offers online mobile transactions for over 100
  services in Mexico. Telefónica Ventures acquired a
  stake in Bit2Me, the largest Spanish language
  cryptocurrency exchange.
- We are committed to promoting environmental sustainability by supporting Wayra companies such as Ezzing Solar, which offers a modular platform that allows the entire process of selling photovoltaic installations to be carried out digitally; Climate Trade, which uses blockchain technology to help companies achieve carbon neutrality; and Trocafone, a marketplace for second-hand devices present in Latin America.

We invested in start-ups and companies in sectors that contribute to financial inclusion, health, education and environmental protection.



 In relation to education, Wayra invested in online learning platforms such as Crehana, aimed at creatives and digital professionals; Poliglota, for learning languages; Stackfuel, Al and data analytics training for professionals; and Alicerce, which focuses on early childhood education in Brazil.



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In addition, in the health sector, we invested in Behavidence, a mobile application for mental health and Idoven, software powered by AI algorithms aimed at detecting and preventing heart disease. Meanwhile, Telefónica Ventures invested in Durcal, a telecare startup for the elderly.

#### Investment funds and partners

In 2022, we set up two new funds together with other Group business units.

In May, Vivo Ventures was created, a €60 million fund to invest directly in growth stage start-ups with solutions in the fields of healthcare, education, financial services, smart home, and entertainment and technology marketplaces, among others.

ÍOPE Ventures, launched with Telefónica Seguros in September to invest in 15 Insurtech & Fintech start-ups with tickets of up to 200,000 euros.

Moreover, during the year, we participated in over 30 open innovation projects with strategic partners, includina:

- · Alaian, an alliance of six of the world's leading telecommunications companies with the goal of discovering disruptive start-ups and giving them access to its network of 700 million customers.
- · Edison Accelerator, a healthcare provider acceleration and collaboration programme designed by GE Healthcare in partnership with Wayra UK.
- CIV-LAC (Corporate Impact Venturing in Latin America and the Caribbean), sponsored by the Inter-American Development Bank (IDB) and designed and implemented by Wayra, which connects large corporations in Latin America and the Caribbean with technology impact start-ups in various sectors.
- BNDES Garagem, an initiative of BNDES (Brazilian Development Bank), Wayra and other partners, whose mission is to develop and foster entrepreneurship in Brazil by supporting entrepreneurs and startups.
- · Opentop, a project with the Port of Valencia (Spain) to find and support ideas related to technology.

2.13.4.3. Innovation in products and services Incremental innovation for the development of new solutions is a major part of our activity.

Many of the products and services that are created meet social needs and demands or contribute positively to the environment.

The evolving nature of our products, services, processes and technology is what enables us to maintain our competitive position and contribute to achieving the Sustainable Development Goals.



Examples of solutions developed to make a positive contribution include the following:

#### Financial inclusion

We facilitate access to loans and insurance through mobile financial products (Movistar Money), thereby reducing barriers to accessing finance and financial resources.

#### Health solutions

We support telemedicine projects for remote care such as Movistar Salud in Spain or Vida V in Brazil. In this regard, for example, Vida V is an affordable alternative between private health plans and the public health network in Brazil. It offers multidisciplinary medical care with guidance by telephone, online consultations by video call and face-to-face consultations, as well as access to clinics and laboratories for imaging and laboratory tests and even discounts on medicines.

We also provide services in this sector that enable remote surgical interventions and solutions that help patients with degenerative diseases.



### Digitalisation and connectivity of the rural

Our services include programmes such as Smart Agro which informs farmers about factors such as soil moisture and soil water consumption, and allows them to optimise irrigation thereby improving crop yields. This solution has been designed to promote a more sustainable agriculture

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model able to cope with the challenges caused by climate change and encourage rural development.

#### **Data and Al solutions**

These are services that look to solve social or environmental problems (Big Data for Social Good/ Artificial Intelligence for Social Good) with applications for monitoring infectious diseases or analysing air quality in large urban environments.

#### **Security services**

The products in this category help guarantee the security and integrity of people and businesses, such as the range of commercial services offered through Movistar Prosegur Alarmas.

#### Responsibility by Design

Responsibility by Design is an internal assessment framework that allows us to ensure we incorporate **ethical and sustainability principles** right from the initial development of a new product or service (P&S) and through to its delivery to the customer, and to be certain they comply with our <u>Responsible Business Principles</u>. These principles make up our code of ethics and guide us in making decisions based on integrity, commitment and transparency.

It is important to note that organisational culture, awareness raising and training are key to successful implementation.

#### Responsibility by Design project management process



#### 1. Training

- → We conduct training sessions.
- → We provide employees with a microsite with all the relevant information, as well as a contact person, who is in constant contact with them.
- → We create a culture of sustainability in the organisation.

#### 2. Assessment

→ Through them, we learn about the risks and improvements to our products and services. This helps us, among other things, to identify what risks or improvements the products and services may entail.

#### 3. Expert support

→ We will clarify any queries or questions that may arise at any time, from the design stages to final delivery to the customer.

### 4. Responsible Business Office

→ Last resort in the resolution of critical cases of issues that cannot be resolved by the team of experts.

The **Responsibility by Design** framework is based on two main pillars:

- **Design ethics:** associated with our engagement with the customer and use of data and Al.
- Sustainability applied to design: related to the impact our products and services have on people as well as the environment.



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#### Pillars of Responsibility by Design

#### Ethics applied to design



Principles of responsibility to the customer



Ethical principles applied to artificial intelligence and data management

#### Sustainability applied to design



Design taking into account its impact on Human Rights



Impact on the environment

#### **Design ethics**

#### Principles of responsibility towards customers

These are values that form our customer promise and shape the way we relate to our customers.

**Simplicity:** we ensure that all product and service processes and operations are accessible and understandable for our customers.

**Transparency:** we provide all information about our products and services to our customers in a proactive and transparent manner.

Integrity: we deliver what we promise.

#### Ethical principles applied to Al and data management

The aim is to avoid the possible negative consequences of their misuse.

**Fair:** we seek to ensure that AI technology applications produce fair outcomes, i.e. that they do not lead to discriminatory effects on the basis of race, ethnicity, religion, gender, sexual orientation, disability or any other grounds.

**Transparent and explainable:** we will be explicit about the type of data, personal or otherwise, that Al systems use, as well as the purpose for which they will be used.

**People centric:** it must serve society and must not under any circumstances have a negative impact on human rights or the achievement of the SDGs.

**Privacy and security by design:** when building Al systems that are powered by data, privacy and security issues are an inherent part of the system lifecycle. This ensures the utmost respect for individuals' right to privacy and their personal data.

**Working with partners and third parties:** we are committed to verifying the logic and data used by suppliers to ensure that these principles are respected.

#### Sustainability applied to design

## Design taking into account the impact on human rights and accessibility

Products and services that anyone, regardless of their abilities, can use in a satisfactory, safe and independent manner.

**Digital rights:** ensuring that our products respect and/or promote the human rights of our customers, with a special focus on minors and other vulnerable groups. The Company has a firm commitment to human rights, as outlined in the Responsible Business Principles and the Human Rights Policy.

**Accessibility:** so that anyone, irrespective of their abilities, can use them in a satisfactory, safe and autonomous way, especially when they are products and services with a web interface or app.

#### Impact on the environment

This incorporates environmental criteria with the aim of reducing environmental impact while enhancing the benefits it can have on the environment thanks to its features.

**Eco-design:** contributing to the development of more sustainable, efficient and circular processes, prioritising the reduction of resource consumption.

**Waste management:** prioritising the reuse of materials and recycling channels.

**Energy consumption:** providing energy efficiency solutions.





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Throughout 2022 we worked exhaustively to ensure the successful implementation of the Responsibility by Design project in Spain and we have begun to expand it to other Group operations.

We have carried out over 50 assessments to date. In addition, we have set the target that at least 30% of our new products and services will be assessed under the Responsibility by Design framework by 2023, 70% by 2024 and 100% by 2025.

Moreover, we developed a specific governance model for Al issues, with the RAI Champions being the most notable addition in this regard. This is a role that helps and collaborates in resolving problems and queries related to these technologies. We also set up the Al Ethics Committee, which can highlight important concerns about new products that may have an associated ethical risk.

### $\left( \frac{1}{2} \right)$

#### **MILESTONES**

- → We increased our portfolio of products and services through new health and renewable energy solutions.
- → We launched the Innovation and Talent Hub.
- → We expanded the Responsibility by Design programme to all regions in which the Telefónica Group is present.



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## 2.14. Contribution and impact on communities

**GRI 3-3** 

#### **KEY POINTS**



Following leading international frameworks, we have developed a socio-economic impact assessment model that shows that we contribute over €98 billion to communities.



Our work agenda revolves around SDG 9, deploying sustainable, resilient infrastructure and driving innovation and development.



We are an essential enabler for meeting the sustainability commitments of both the European Union and other industrial sectors.

#### 2.14.1. Vision

In 2015, the Sustainable Development Goals (SDGs) introduced a disruptive change from their predecessors, the Millennium Development Goals. The main change was the recognition of innovation and technology (through SDG 9) as an essential element in terms of achieving sustainability in our society.

Furthermore, at a regulatory level, the European Green Deal sets out the roadmap for making Europe the first climate-neutral continent by 2050. This deal boosts the economy, improves quality of life and protects nature.

The European Union also aims to ensure that all households have access to a high-capacity network by 2050 through the **Digital Compass** programme, through a fair digital transformation that aims to increase innovation and productivity in the economy, and offer new opportunities for people and businesses.

The synchronisation of these two revolutions, digital and green, must be the most effective way to guarantee the future of our society, optimising environmental protection and enabling competitive, sustainable and fair economic arowth.

Telecommunications have proven to have a key role to play socially. They facilitate and transform how we interact. Economically speaking, they facilitate the development of new working models, improved

production sites and the increased efficiency and use of natural resources.

Telecommunications are an enabler for other sectors to be able to achieve the green transition and meet the sustainable development goals.



Our sector plays a crucial role in fulfilling the 2030 Agenda and digital transformation processes. We are closely linked to most of the SDGs. Communication networks have been recognised as a key component in achieving sustainable development.

#### 2.14.2. Context

There is increasing regulatory pressure around ESG issues. The Taxonomy Regulation for the classification of sustainable activities and the entry into force of the European Sustainable Finance Disclosure Regulation (SFDR) highlight how important it is to demonstrate how companies can contribute to the fight against climate change and social inequalities.



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Also taking into account the modification of the MiFID II regulation (Markets in Financial Instruments Directive and amending Directive), the following is considered in assessments of the social and environmental contribution made by an organisation:

- Funds that promote environmental and social characteristics (Article 8, SFDR);
- Funds that, besides complying with the definition provided in Article 8, incorporate criteria aligned with the taxonomy or consider Principal Adverse Impacts (PAIs) (Article 8 plus);
- Funds that pursue specific sustainability objectives (Article 9, SFDR).

Under these criteria, at Telefónica we provide all the relevant information on our targets, and the roadmap of how we are going to achieve them. Measuring and reporting our impacts allows us to break down each contribution and identify where we can enhance our positive impact. This also allows us to minimise negative impacts and identify new financing opportunities that contribute to the decarbonisation of the economy or boost digital inclusion and transformation.

In this context, our alignment with the SDGs and the European frameworks shows how we integrate sustainability into the organisation. Furthermore, by measuring the value of our impacts and quantifying them, we are able to incorporate the results in the organisation's management as a significant indicator in decision making.

## 2.14.3. Impact assessment: frameworks and methodologies **GRI 2-12**

We define social and environmental impact as the changes experienced by people and the planet as a result of a particular activity that affects human well-being in the long term.

We also **define impact measurement and management** as the identification and quantification of metrics agreed upon with stakeholders to measure the changes experienced by people and the planet as a result of a particular activity. We assess the extent to which we contribute to these changes. And consideration should be given to learning that must influence the organisation's actions. These changes can be measurable, positive or negative, intended or unintended, tangible or intangible.

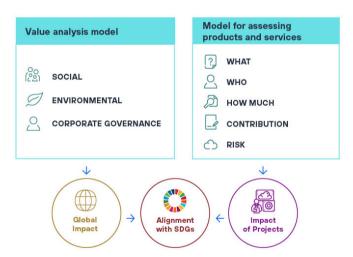
We have chosen to use the **Sustainable Development Goals (SDGs) as a strategic framework** to serve as a guide for our commitments to society and environmental protection. The SDGs allow us to analyse and measure our contribution and impact on socio-economic development.

Since 2020, we have been measuring our impact and our contribution to the main SDGs in order to better integrate this into the organisation's decision-making models. We have been optimising our assessment model by incorporating the new methodologies and we have adapted them to our sector's specific characteristics and needs.

These methodologies include the work on measuring and managing impact of ICADE University's Social Impact Chair, SDG Impact, the analysis models of the Impact Management Project (IMP), and, in particular, the work carried out by Harvard University in its Impact Weighted Account Initiative (IWAI) project.

Using the aforementioned methodologies, we are working on two analysis models:

- A value analysis model, which identifies the overall impact of the entire organisation through the monetisation of the main externalities identified in the materiality matrix.
- 2. A product and service assessment model, under which we perform specific assessments of the main projects or commercial solutions.



#### Our analysis models aim to:

- Monitor the development of the main contribution and impact indicators.
- · Evaluate our contribution to the 2030 Agenda.
- · Detect and monitor risks that may affect our activity.
- Facilitate decision-making to improve our business and increase our contribution to society.
- Facilitate the reporting of information to our stakeholders, mainly investors, customers and public administrations.

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Our main aim is to incorporate the results obtained from impact measurement into active management and decision-making processes



#### > Sustainable Development Goals (SDGs)

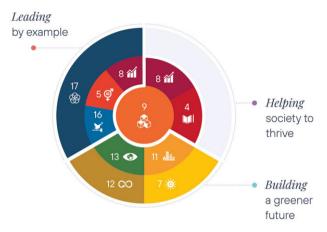
Since the publication of the Sustainable Development Goals, we have been analysing to which goals and targets we make the most decisive contribution. In doing so, we have taken into consideration our technical and commercial capabilities and the connections between the different SDGs, focusing on the three strategic pillars:

- **Building a greener future** supported by technology and digital services.
- Helping society thrive by facilitating socio-economic progress and driving digital inclusion.
- Leading by example, building trust through the responsible management of our operations.

We are currently assessing the requirements of the SDG Impact methodology of the United Nations Development Programme (UNDP), with a view to studying the possibility of implementing them in the coming years. Taking into account the four pillars of this methodology, we have carried out a preliminary analysis to understand better our current position:

- Strategy: we have a sustainability strategy based on the integration of the SDGs and responsible business management. We have set targets aimed at making a positive contribution and with a view to limiting the negative impact we may generate.
- Management: we measure, evaluate and manage the impacts generated.
- Transparency: we make policies and impact assessments available to our stakeholders and share best practices on ESG issues.
- Governance: the sustainability governance system extends from the Board of Directors to employees, acting at all levels. The Board of Directors approves and supervises the monitoring through the Sustainability and Quality Committee.

We have identified SDG 9 (Industry, Innovation and Infrastructure) as the goal to which we contribute the most thanks to our investment in communications, innovation and entrepreneurship infrastructures.



We have a work agenda based on SDG 9, to which we contribute by deploying sustainable, resilient, quality infrastructure and innovation.



In addition to our direct contribution, we have analysed the connections between the SDGs we work towards. We have calculated the extent of the interrelationships between goals by identifying undesired effects, opportunities and possible feedback loops.

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#### For example, for SDG 9 we would have the following 2.14.4. Progress: contribution to socioeconomic development and the environment

To assess our contribution as an organisation, we take our materiality matrix and our three strategic pillars as a starting point and identify the main variables. In addition, we group indicators according to the relationship between them and their relative importance for both the organisation and society.



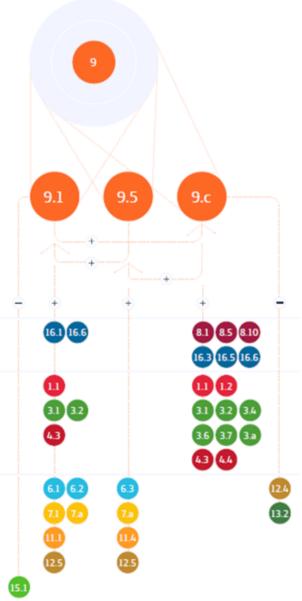
For further information, see chapter 1.4. Materiality.

Once the indicators have been identified, we use various tools to quantify their impact.

In order to quantify said impact, we have adapted the calculation methodologies defined in Harvard University's IWAI and the True Value methodology developed by the consultancy firm KPMG to the unique features of our sector and the specific characteristics of Telefónica.

The following graph shows the breakdown of the indicators analysed, their relative quantification, their relationship with the strategic pillars and the SDGs linked to these indicators:

distribution in terms of an indirect contribution:



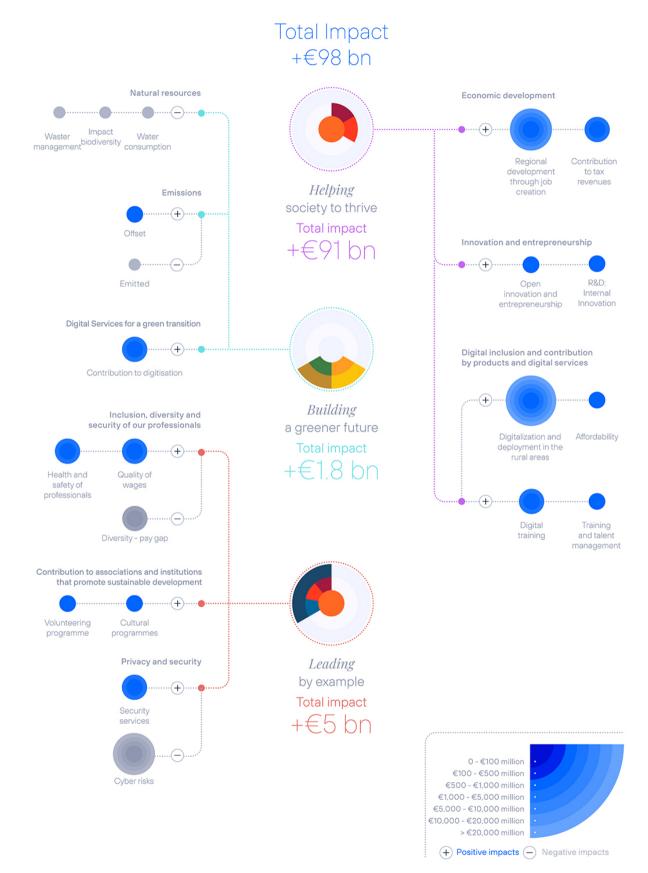
All this analysis is published on the Telefónica website in the report "A connected world, a sustainable world".

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Please note: this data refers to the impact analysis based on calculation indicators for the 2021 financial year.

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#### 2.14.4.1. Building a greener digital future

It is important to stress that digitalisation is a key tool for tackling greenhouse gas emissions, resource scarcity and climate change.

We encourage innovation to develop solutions that reduce our environmental impact, promote energy efficiency and the use of renewable energy in our operations, reduce our carbon footprint and develop digital solutions that help our customers reduce their emissions.



For further information, see chapter 2.1. Responsibility towards the environment.

This approach allows us to contribute to the decarbonisation of the economy, be more competitive and offer our customers low-emission connectivity.

We have analysed the negative impact of our commercial activity. We also looked at the extent of our positive contribution to mitigate the effects of climate change.

This calculation shows that **Telefónica's total** contribution to the environment is positive thanks to the digital transformation and the projects we are developing to reduce our emissions and control energy consumption.

The targets and indicators, associated with the environmental Sustainable Development Goals we have analysed, are as follows:



SDG 7 - Develop the most efficient telecommunications network, powered by renewable energies

We reduce our impact on the environment, working to decouple the growth of traffic through our networks from greenhouse gas emissions.

The aim is to align our efforts with the level of decarbonisation required to limit global warming to below 1.5°C.

Our carbon footprint comes mainly from electricity consumption, so, as a result, we have made our consumption 100% renewable in Europe, Brazil, Peru and Chile and are committed to extending this to all our operations by 2030. Coupled with an ambitious energy efficiency programme, this has meant that our carbon emissions have been reduced significantly in recent years.

Contribution to SDG 7			
Goal	KPI	2021	2022
7.2			
Promote the use of renewable and clean energy in all our activities.	Percentage elctricity from renewable sources in own facilities	79%	82%
7.3			
Encourage the development of projects that increase energy efficiency and improve the technology needed to provide modern, sustainable energy services.	Emissions avoided thanks to renewable energy (tCO <sub>2</sub> e)	902,019	845,456
	Emissions avoided through energy management (tCO <sub>2</sub> e)	68,833	118,410



**SDG 11 - Develop solutions to optimise** consumption, reduce emissions and improve mobility and safety for people and communities

Our greatest contribution to climate change mitigation and adaptation undoubtedly comes from a state-of-theart network and solutions that help us tackle environmental challenges.

Our efforts in this direction in 2022 helped avoid the emission of 81.7 millions of tonnes of CO2 thanks to services such as connectivity, the Internet of Things (IoT) and cloud. These products promote a more efficient use of resources and improve energy efficiency for our customers..

Contribution to SDG 11			
Goal	KPI	2021	2022
11.6			
Promote the development of digital services and solutions that have a positive impact on the environment and help create more sustainable and resilient cities.	Emissions avoided thanks to our services (million tCO <sub>2</sub> ) <sup>1</sup>	8.7	81.7

The increase in this indicator is due to the fact that in 2022 the scope of the indicator has been extended to include additional services. More information can be found in chapter "2.4. Digital solutions for the green transition".

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SDG 12 - Promote the circular economy in the use of electronic equipment. through eco-design, re-use and recycling

At Telefónica, we reduce the impact of our activity thanks to reuse and recycling, which are key to reducing the consumption of raw materials and the generation of waste, especially electronic equipment.

We are also progressively integrating responsible design into our internal processes.

Col	ntribution to SI	OG 12	
Goal	KPI	2021	2022
12.2			
UNSTATS Indicator 12.2.1 Achieve the	Energy consumption (MWh)	6,106,625	6,106,255
sustainable management and efficient use of natural resources.	Waste generation (tonnes)	64,059	52,906
12.5			
UNSTATS Indicator 12.5.1 Minimise waste generation through prevention, reduction, recycling and reuse activities, promoting programmes that foster the circular economy and the recycling of waste.	Percentage recycling of waste	98%	98%

12.6			
Transform our internal processes to ensure that all our solutions are designed and	Responsibility by Design	Integrated in T-Spain	Integrated in T-Spain. In the process of integration in T-Tech, Germany, Hispam and Brazil.
developed according to ethical and sustainable criteria.	process	Number of assessme nts carried out	40



SDG 13 - Combat climate change and improve resource efficiency and utilisation

We contribute to reducing the impact of climate change by supporting projects within our own operations and along the value chain.

For further information, see chapter 2.2. Energy and climate change.d climate change.

	Contribution to SDG 13			
Goal	KPI	2021	2022	
13.2				
Incorporate climate change	Direct emissions (Scope 1) (tCO <sub>2</sub> )	183,231	131,809	
measures into the Company's policies and strategies	Indirect emissions (market-based method) (Scope 2) (tCO <sub>2</sub> )	353,506	221,537	
through emission reduction programmes.	Other direct emissions (Scope 3) (tCO <sub>2</sub> )	2,072,159	1,930,051	

#### 2.14.4.2. Helping society thrive

GRI 203-1, 203-2, 204-1

Our commitment is to bring the best connectivity and latest technology to everyone. We advocate for peoplecentred digitalisation to tackle unequal opportunities.

To assess our contribution, we have analysed:

- · The investments we make, as well as all non-financial impacts arising from our core telecommunications business.
- · Our contribution to direct and indirect employment and Gross Domestic Product (GDP) in the regions where we operate.
- · The activities carried out by Fundación Telefónica, mainly in the field of education.



#### SDG 9 - Build inclusive and sustainable connectivity

We are deploying state-of-the-art networks, not only to lead the markets where we operate and ensure a reliable and resilient service, but also to connect as many people as possible.

We have state-of-the-art digital services. We add a social element to our innovation because we cannot imagine progress without people.

Over the past year, we have maintained our efforts to roll out broadband network coverage in both Europe and Hispanoamerica. Our LTE networks reach virtually the entire population and we are expanding the rollout of 5G and fibre to all areas, including rural and remote areas.



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For further information, see chapter 2.10. Digital inclusion.

Beyond infrastructure, we promote innovation and entrepreneurship through programmes such as Open Future, Telefónica Venture Capital and Wayra. These initiatives prevent the exodus of young talent to other parts of the world, thereby becoming a driving force for innovation and economic development in many regions.

Over the last 10 years, Telefónica's open innovation unit has invested in over 1,000 start-ups around the world. Many of them are now part of our service portfolio or help to improve our internal processes.



For further information, see chapter 2.13. Sustainable innovation.

Contribution to SDG 9					
Goal	Indicator	2021	2022		
9.1					
Inclusive digitalisation, strengthening and	R&D+i investment (million euros)	4,378	3,721		
investing in very high-capacity networks that	Prepaid customers	129,675,714	129,685,679		
have proven to be critical for future competitiveness.	Universal Service (million euros)	169	212		
9.5					
Foster innovation	R&D investment (million euros)	835	714		
and technological entrepreneurship through our open innovation programmes.	Industrial property rights portfolio (includes patents)	421	444		
9.c					
Bring connectivity to where it is missing, connecting millions of people	Percentage 4G/ LTE mobile coverage	87%	90%		
in rural or remote areas who have no, or very limited, access to the internet.	UBB - Ultra- Broadband (covered premises)	64,970,491	71,022,284		



SDG 8 - Drive digitalisation for a more sustainable society and economy

The development impact of telecommunications and broadband has been well documented in various international studies. These reports highlight the fact that we are a strategic player in the economic growth of the countries in which we are present. This contribution is

made both directly through our commercial and technological activity, as well as our capability to influence other industries.

We encourage the creation of quality jobs and promote, mainly through Fundación Telefónica, the development of employability and education programmes. These are often aimed at young people, facilitating access to the jobs of the future and stimulating local entrepreneurship.

Of particular note are Conecta Empleo and Lanzaderas de Empleo. These initiatives are helping to train and develop people in places suffering from structural problems such as unemployment and talent relocation.

Contribution to SDG 8				
Goal	Indicator	2021	2022	
8.1				
UNSTATS Indicator 8.1.1 Support and contribute	Impact on GDP (million euros)	48,904	45,978	
to the economic growth of the countries in which we provide our services.	Total tax contribution (million euros)	9,134	7,669	
8.3				
Support key sectors and develop policies for productive activities and innovation to boost economic growth:  • Encourage investment in local businesses.  • Collaborate with domestic and international organisations that promote economic development and digitalisation.	Percentage purchases from local suppliers	81%	83%	
8.5				
UNSTATS Indicator 8.5.2 Promote employment	Total number of employees	103934	103,638	
and quality work for all women and men, including youth and people with disabilities,	Indirect jobs created (employees)	656,662	675,947	
and equal pay for work of equal value.	Employees with disabilities	1128	1,482	
8.8				
Guarantee and protect labour rights, providing a safe working environment for all workers and promoting a sustainable supply chain that incorporates ethical.	Supplier audits	17,960	18,578	
social and environmental criteria in purchasing processes.	Suppliers with improvement plans	610	879	



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#### Impact on Gross Domestic Product (Target 8.1)

Our overall contribution to the GDP of the main countries in which we operate includes the direct impact of our economic activity, expenditure and investments (indirect impact) and the impact caused by the increase in consumption as a consequence of the rise in labour income generated by the jobs created.

For every euro generated in direct impact, in the nine main countries where we are present, we have generated an additional 1.5 euros indirectly through expenditure and investment.



#### Impact on GDP (main operations)

	Millions of euros	% of total impact
Total impact	45,978	100%
Direct impact	18,382	40%
Indirect impact	21,349	46%
Induced impact	6,247	14%

#### **Definitions**

Total impact: total impacts generated by corporate activity and the expenses and investments we make in the countries

Direct impact: impact generated directly by our operations. Indirect impact: impact generated by the expenses and investments of our supply chain.

Induced impact: impact generated by an increase in consumption resulting from the rise in labour income generated by direct and indirect employment.

Countries included in the analysis: Argentina, Brazil, Chile, Colombia, Germany, Mexico, Peru, Spain and the United Kingdom.

#### Impact on GDP

Millions of euros	% of local GDP
7,263	0.2%
2,369	0.7%
13,481	0.9%
2,222	0.8%
2,196	0.8%
15,582	1.3%
786	0.1%
2,079	1.1%
	7,263 2,369 13,481 2,222 2,196 15,582 786

For every euro of gross operating margin we obtained, we generated 3.6 euros which contributed to the GDP of the main countries in which we operate.



#### Contribution to the creation of quality jobs

In addition to the direct jobs created by the Company, our activity stands us in good stead as a driving force for progress and the creation of more indirect and induced iobs.

#### Impact on employment (main operations)

	Impact on employment in the main countries (no. of persons)	% of total impact
Total impact (1)	1,074,440	100%
Direct impact (2)	99,174	9%
Indirect impact (3)	675,947	63%
Induced impact (4)	299,319	28%

#### Definitions

- Total impact: Total impacts generated by our corporate activity and the expenditure and investments we make in the countries where we operate.
- · Direct impact: Employees hired directly.
- Indirect impact: Jobs generated in companies and sectors that receive our expenditure and investments and by their respective suppliers.
- Induced impact: Jobs created in all economic sectors thanks to the economic activity generated in an induced way in the market as a whole.

Countries included in the analysis: Argentina, Brazil, Chile, Colombia, Germany, Mexico, Peru, Spain and the United Kingdom.

The activities we undertake mean that, for every person we contract to the workforce, we generate an additional 9.8 jobs in the countries we operate.





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#### Impact on employment

	Impact on employment (no. of persons)	% of total local employment
Germany	50,578	0.1%
Argentina	30,904	0.2%
Brazil	497,771	0.5%
Chile	47,835	0.5%
Colombia	150,363	0.7%
Spain	159,037	0.82%
Mexico	33,937	0.06%
Peru	104,015	1.09%



SDG 4 - Address inequalities by investing in digital skills.

Education is a key tool for ensuring inclusion and fostering growth and progress. The rapid digitalisation of the economy requires an increasing number of professionals with knowledge and training in digital skills. Education becomes a key part of **bridging the digital divide and reducing social inequalities**.

Through various programmes, Fundación Telefónica and Telefónica Educación Digital promote educational innovation and work to bring quality digital education to every corner of the globe.

This includes the Profuturo programme. Developed jointly by Fundación Telefónica and the "la Caixa" Foundation, Profuturo was launched in 2016 and has reduced the education gap, providing quality digital education to more than 19.7 million children and training more than 914,000 teachers in 40 countries in Latin America, Africa, Asia and the Caribbean.

Other programmes developed by Fundación Telefónica include ConectaEducación, Code.org, Conecta Empleo and '42, projects that seek to improve the digital skills of young people so that they can access a labour market that is increasingly demanding these kinds of skills.



For further information, see chapter 2.10. Digital inclusion.

Goal KPI	2021	2022
4.4		
<b></b> -		
training courses in the courses in the courses in the courses in the course in the skills needed train	rficiaries of igital skills 1,212,765 <sup>3</sup> ng 1,212,765 <sup>3</sup> ramme <sup>2</sup>	1,305,715
	nal employee 39 ng hours	35

We also contribute to Goals 4.1 (education schemes to enable all girls and boys can complete primary and secondary education) and 4.c (increase the supply of qualified teachers through specific training programmes and by promoting the modernisation and digitalisation of education) through other Fundación Telefónica programmes. These contribution indicators are published annually in the foundation's Annual Report.

#### 2.14.4.3. Leading by example

A human-centred digitalisation must focus on **trust-building**, be value-based and centre on the responsible use of technology.

We build trust through our actions and commitments and favour inclusion and equality.



This block of analysis highlights the impact of salaries and the investment made in health and safety programmes for our employees, as well as our drive to promote diversity.

<sup>&</sup>lt;sup>2</sup> The number of people trained is 1,305,718 within the projects: "Lanzaderas", "Conecta Empleo", "Piensa en Grande" and "Escuela 42".

<sup>&</sup>lt;sup>3</sup> Data updated to 31 December 2021.

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SDG 5 - Promote gender equality and reduce salary gaps

Equal opportunities are a source of talent for us and we are firmly committed to their promotion. We are working to achieve gender equality and promote the use of technology for the empowerment of women.

We promote and collaborate with programmes that promote women's access to careers involving science, technology, engineering and mathematics (STEM), such as <u>Girls Love Tech</u>, because equal opportunities and digitalisation must be based on diversity in all areas.



For further information, see chapter 2.7. Diversity and inclusion.

Contri	ibution to SDG 5		
Goal	KPI	2021	2022
5.2			
Work towards the elimination of all forms of violence against women.	Instances of discrimination identified/ measures taken.	0	0
5.5			
UNSTATS Indicator 5.5.2	Percentage women on the Board of Directors	33.3%	33.3%
Commitment to fostering	Percentage women directors	29.5%	31.3%4
women's leadership, increasing the proportion of women in leadership positions and eliminating	Percentage women in the workforce	38.1%	38.6%
all forms of unequal pay.	Percentage adjusted pay gap	1.18%	0.74%
	Percentage gross pay gap	17.49% <sup>5</sup>	16.80%
5.b			
Improve the use of instrumental technology, in particular information technology, to promote women's empowerment by fostering actions and programmes that help reduce the digital gender gap and promote STEM careers among young women.	Programmes to promote STEM careers	52	102

<sup>4</sup> In 2022, minor adjustments have been implemented in the formula for calculating the percentage of women directors. Maintaining the 2021 criteria, the figure would be 31.2%.

<sup>&</sup>lt;sup>5</sup> The calculation methodology has been changed to take into account the different socio-economic realities of the countries that make up the group. Reported data in 2021: 21.79%

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A key part of guaranteeing justice and strong institutions is ensuring personal privacy and security in digital services.

This is why we work with integrity in all business areas and have very strict ethical responsible business principles. Our priority is to ensure the privacy and security of our customers' information and the products and services we offer.



For further information, see chapter 2.19. Privacy and security.

In addition, we collaborate with different organisations, social entities and public administrations to support the most vulnerable groups and promote the responsible and ethical use of new technologies.

Contribution to SDG 16					
Goal	KPI	2021	2022		
16.5					
Combat corruption and bribery in all its forms through our internal responsible business programmes and ensure the highest standards at all levels of the Company to promote trust.	Percentage of employees who have taken the responsible business course	85%	89%		
16.10					
Ensure public access to information, while protecting fundamental rights and freedoms:  • Enhance citizens' trust through the ethical and responsible use of technology, respecting and protecting fundamental freedoms, privacy, security and other	Information privacy	see SASB TC- TL-220a			
digital rights.  Foster digital trust and the use of data	Information security	see ASB TC- TL-230a	see SASB TC- TL-230a		
16.a					
Strengthen institutions and cooperation at all levels with employee-led activities that create value and help the most vulnerable people.	Corporate volunteering (people)	59,054	58,502		



#### SDG 17 - Develop strong global alliances for sustainable development

The United Nations has identified our sector as key to achieving more than half of the goals defined in the 2030 Agenda. It has incorporated two specific goals related to our ability to take broadband and digitalisation everywhere.

According to internal analyses, we estimate that the deployment of fibre optics, together with the development of digital services in rural areas, can increase average annual income by up to 3.9%, and reduce the unemployment rate by approximately 1%, through the promotion and creation of service companies.

Similarly, digitalisation could help increase the productivity of SMEs by 15-25%.

Thanks to our transformative capacity, we also work to foster national and international collaboration with other organisations also committed to sustainable development.

Contribution to SDG 17				
Goal	KPI	2021	2022	
17.6				
UNSTATS Indicator 17.6.2 Increase the number of fixed broadband internet subscribers in all regions where we operate.	Number of fixed broadband subscribers (thousands )	25,833	26,304	
17.8				
UNSTATS Indicator 17.8.1 Foster collaboration with other organisations to innovate and increase access to, and the use of, technology and digitalisation in all areas of society.	Percentag e LTE service penetration in customer base	90%	91%	

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#### 2.14.5. Direct economic value generated and distributed

GRI 201-1

In addition to the contribution and impact studies on the SDGs and the quantification of these impacts through indicators, we have calculated the direct economic value generated and distributed (EVG&D) during the year in accordance with GRI recommendations.

Information on the creation and distribution of economic value indicates how our Company has generated wealth for different stakeholders.

	2021	2022
Direct economic value generated (revenues) €M	51,950	42,058
Economic value distributed	38,379	34,348
Operational costs (€M)	23,234	23,682
Salaries and employee benefits (€M)	6,733	5,524
Payments to capital providers (€M)	5,149	2,633
Payments to governments (by country) (€M)	3,206	2,438
Investments in the community (€M)	56.55	71.14
Economic value retained (direct economic value generated - economic value distributed) €M	13,571	7,710 <sup>6</sup>



#### **MILESTONES**

- → Publication of the updated Impact Report, incorporating further improvements and recommendations from international frameworks.
- → Full assessment of the SDG Impact model.
- → Optimisation of models for calculating and estimating the social impact of the organisation's strategic projects.

 $<sup>^{6}</sup>$  In 2021, extraordinary transactions were carried out that change the results compared to 2022.



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## 2.15. Human Rights

GRI 2-24, 2-25,

#### **KEY POINTS**



We have a strong commitment to respecting and promoting human rights, governed at the highest level with a clear accountability process.



We have a long-standing due diligence process in place and carry out impact assessments in all our operations in order to identify, prevent, mitigate and remedy potential human rights impacts.



We have been ranked as the 1st telco worldwide by Ranking Digital Rights for our commitment to human rights, privacy and freedom of expression.

#### 2.15.1. Vision

Human rights challenges continue to have universal and intensifying effects on everyone. The climate crisis, digital divide, social inequality and the violation of people's rights are just a few examples. As a multinational company, we have the opportunity to proactively contribute in overcoming these global challenges through a responsible business conduct and provision of sustainable solutions.

In this vein, we are committed to the United Nations (UN) Declaration of Human Rights of 1948, as well as subsequent standards such as the UN Guiding Principles on Business and Human Rights of 2011 or the OECD Guidelines for Multinational Enterprises.

What is more, we go beyond our internal ecosystem and aim to work closely with our stakeholders to ensure respect for human rights throughout our value chain. To this end, we implement various initiatives and measures to guarantee the respect for human rights of our suppliers in the supply chain as well as our customers through the development of responsible products and services.

#### 2.15.2. Objectives

- 100% of our operations annually assessed on human rights
- 100% of high risk suppliers in sustainability matters (including human rights) assessed via external evaluation by 2024.
- 100% of new products and services developed at Group level will follow the responsibility by design approach by 2025.
- Continue to occupy a leading position in the Ranking Digital Rights.

#### 2.15.3. Governance

GRI 2-12

We have defined a governance model led by the Board of Directors that involves all relevant hierarchies and areas of the company at global and local level (more information in the box below: Human rights governance) to ensure that our commitment to human rights permeates our day-to-day business at all levels.

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#### **Human rights governance**



Periodicity: Continuous.

Board of Directors

**Responsibilities:** Approval of sustainability-related policies such as, the Responsible Business Plan (including human rights objectives/projects).



Periodicity: Monthly.

\*Permanent Committee of the Board

**Responsibilities:** Governance and supervision of Responsible Business Plan (and therefore human rights issues) through monthly reporting by the Responsible Business Office.



Periodicity: Continuous supervision and quarterly reporting.

**Responsibilities:** Definition, management, and monitoring of Responsible Business Plan (and thus human rights issues). Brings together all the company's strategic department heads and is led by the Global Chief Sustainability Officer.



Office

Periodicity: Continuous.

**Responsibilities:** Management and supervision of the sustainability due diligence process, including human rights issues.



**Due Diligence Office** 

Periodicity: Continuous.

Coordination and dialogue with teams at local level

**Responsibilities:** Ongoing dialogue with local teams to ensure consistent implementation of the human rights policy and due diligence in the company.

#### **2.15.4. Policies**

GRI 2-23

Our main internal human rights policies and standards of conduct are:

- · Global Human Rights Policy.
- Supply Chain Sustainability Policy Regulation of the Responsible Business Channel.
- · Global Privacy Policy.
- · Global Security Policy.
- · Occupational Safety, Health and Well-being Policy.
- · Diversity and Inclusion Policy.
- · Regulation on Responsible Communications.
- · Global Environmental Policy.
- · Anti-Corruption Policy.
- Global Regulation on Requests by Competent Authorities.
- Principles of Artificial Intelligence.
- · Equality Policy.

#### 2.15.5. Risks and opportunities

We are fully aware that the nature and geographical reach of our business means that we face risks of potential human rights' issues along the value chain.

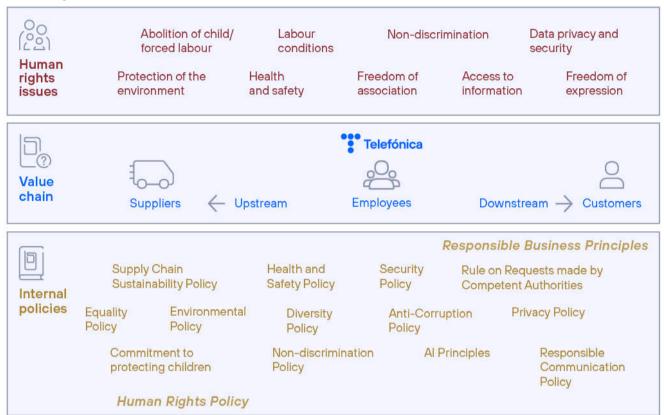
Data privacy and security, freedom of expression and decent working conditions are some examples of rights over which we play an essential role and must enforce, internally with employees and externally with suppliers and customers.

Notwithstanding the above, connectivity is also a key tool to facilitate and promote people's rights, for example through access to information and the exchange of ideas.

At Telefónica, we see this potential as an opportunity to develop products and services that encourage economic and social development, e.g. through increased connectivity in rural and remote areas.

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#### Human rights across the value chain



## **2.15.6.** Action plan and commitments GRI 2-23, 408-1, 409-1

Our strategy is to conduct a due diligence process along the entire value chain to ensure the respect and promotion of human rights throughout Telefónica's footprint.

The **due diligence** system we have in place helps us identify, prevent, mitigate and remedy our (potential and actual) human rights' impacts. It allows us to manage the risks and opportunities facing the company.

Our due diligence system follows the UN Guiding Principles on Business and Human Rights and is aligned with the requirements of the currently discussed **EU Directive on Corporate Sustainability Due Diligence**. As indicated in both, a public commitment to human rights endorsed at the highest level is essential. In our case, it is the Board of Directors that endorses our public commitment to human rights through the adoption of the Global Human Rights Policy and the due diligence processes explained therein.



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#### > Phases of due diligence

#### 1. Policy

We have a Global Human Rights Policy (phase 1), approved by the Board of Directors, which aims to reaffirm our responsibility to respect and promote human rights and establish general guiding principles. From this, we derive other internal policies and procedures (see examples in figure Human rights across the value chain) that serve as instruments to ensure respect for human rights in more specific areas.

#### 2. Impact assessments

From an internal management perspective, the starting point is our Global Human Rights Impact

Assessments (phase 2) which are conducted every three to four years with the help of external experts and in close consultation with our stakeholders. The aim is to understand how our business activities/relationships and

products/services have a potential or actual impact on human rights, in order to identify the salient issues we need to work on.

Based on the salient issues identified in these Global Assessments we conduct further in-depth analyses:

- · Biannual risk assessments in all our operations at national level in accordance with Telefónica's Enterprise Risk Management process.
- · Local impact assessments in cases where it is considered relevant to have a more accurate picture of the national situation in order to address risks in a specific context.
- Thematic impact assessments when we need to take a detailed view of an issue because we have identified a particular risk or concern.

#### **Human rights impact assessment process**

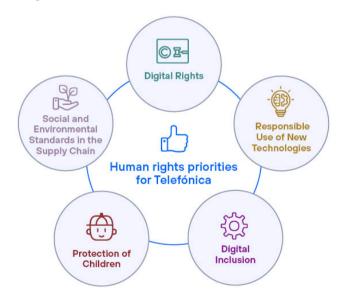
### Global Human Rights Impact Assessment Frequency: every three-four years Methodology: through an independent, specialised consultancy firm Identification of the most significant impacts Risk assessments in all our operations Frequency: Biannually if a local risk or impact if a risk issue is is identified identified Specific impact assessment Local impact assessment (focusing on the domestic situation) (focusing on an issue)

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#### Priority issues identified in the 2022 Global Impact Assessments: issues and groups impacted

Operations	Products and Services	Human Resources <sup>1</sup>	Ethics and Governance	Value Chain <sup>2</sup>
<ul> <li>Labour conditions</li> <li>Health and safety</li> <li>Privacy</li> <li>Cybersecurity</li> <li>Digital Inclusion</li> <li>Property</li> <li>Climate change</li> <li>Circular economy</li> <li>Biodiversity</li> <li>Water resources</li> </ul>	<ul> <li>Privacy</li> <li>Cybersecurity</li> <li>Responsible use of new technologies</li> <li>Freedom of expression and information</li> <li>Digital inclusion</li> <li>Protection of minors</li> <li>Climate change</li> <li>Circular economy</li> </ul>	<ul> <li>Labour conditions</li> <li>Diversity and non-discrimination</li> <li>Health and safety</li> <li>Privacy</li> <li>Cybersecurity</li> </ul>	<ul> <li>Fiscal responsibility</li> <li>Competitive behaviour</li> <li>Corruption and bribery</li> </ul>	<ul> <li>Labour conditions</li> <li>Health and safety</li> <li>Diversity and non-discrimination</li> <li>Privacy</li> <li>Cybersecurity</li> <li>Climate change</li> <li>Conflict minerals<sup>3</sup></li> </ul>
<ul> <li>Own employees</li> <li>Workers in our supply chain</li> <li>Vulnerable groups</li> <li>Local communities<sup>4</sup></li> </ul>	<ul><li>Clients</li><li>Minors</li><li>Vulnerable groups</li></ul>	<ul><li>Own employees</li><li>Minors</li><li>Vulnerable groups</li></ul>	<ul><li>Society in general</li><li>Own employees</li></ul>	<ul> <li>Workers in the supply chain</li> <li>Migrant workers</li> <li>Clients</li> <li>Minors</li> <li>Vulnerable groups</li> </ul>
Issues	Impacted groups			

Taking our global impact assessment as a reference point, we have selected a number of issues and grouped them together as priorities for Telefónica and for which we are conducting specific actions, set out in the section on Progress below. The issues are:



<sup>&</sup>lt;sup>1</sup> Including freedom of association/right to collective bargaining, etc. Including equal remuneration etc.

<sup>&</sup>lt;sup>2</sup> Including both upstream and downstream. Upstream includes the relation to suppliers and subsuppliers. Downstream includes the relation to clients, but also M&A and Joint Ventures etc

<sup>&</sup>lt;sup>3</sup> Including child/forced labour, human trafficking etc.

<sup>&</sup>lt;sup>4</sup> Vulnerable groups take into account indigenous communities, women, seniors, ethnic minorities, persons with disabilities and other groups potentially facing discrimination.



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information in <u>Consultation and Complaints Channel</u> <u>Telefónica's website.</u>

#### 2.15.7. Progress in 2022

#### > Due diligence

In 2022, we continued to work on each of the five steps of our due diligence process. The table below reflects our progress in recent years.

We highlight the **2022 Global Human Rights and Environmental Impact Assessment** carried out by an independent third-party consultancy to identify potential/ actual impacts linked to Telefónica's value chain activities.

The identification of salient issues was carried out taking into account our corporate strategy and business activities, trends in the telecommunications sector, global and local societal challenges, views from internal and external stakeholders as well as sustainability experts. All impacts have been evaluated both in terms of their severity and probability. In addition, our current due diligence process was thoroughly evaluated taking into account our policies/processes to make sure that the identified human rights and the environmental impacts are adequately addressed.

The impact assessment and actions taken thereupon also help us to comply with existing and upcoming regulations such as, the Corporate Sustainability Due Diligence Directive at the European level or the Due Diligence Supply Chain Act in Germany.

**Digital inclusion:** the core of our business is the provision of connectivity through our products and services. It is thus essential to ensure that our products and services are developed responsibly and we leave no one behind, regardless of their gender, age, education, income-level or geographical location

Digital rights (privacy, freedom of expression and information, and cybersecurity): as an ICT company that handles personal data of customers, we use and protect their information with maximum security, providing transparency and control over its use and purpose. The same commitment to privacy, freedom of expression, and cybersecurity, applies to requests we receive from competent authorities regarding interceptions of communications, access to metadata, blocking and restriction of content, and geographical suspensions and/or service restrictions.

New technologies (artificial intelligence and big data): the relationship between people and machines is becoming ever closer, which is why it is essential to ensure and monitor the ethical development and use of new technologies so that technological advances do not undermine people's rights, but contribute to a sustainable development.

**Protection of children:** the digital world offers many opportunities. Children need digital skills, as well as specific tools to enjoy those opportunities. Their online privacy and reputation needs protecting, and potential problems, such as inappropriate content, must be addressed.

Social and Environmental standards in the supply chain: it is essential that we pay particular attention to supply chain management, given our commitment as well as its scope and relevance, and we join forces to ensure that our suppliers have an adequate human rights and environmental record.

#### 3. Integration in processes

Based on the results of the various impact assessments mentioned above, we adapt our internal policies and processes (phase 3) to prevent, mitigate and/or remedy potential and actual human rights impacts.

Two processes should be highlighted here: responsible design, focusing on the integration of ethical and sustainable criteria (including respect for human rights), from the initial development phases of any product or service, and; human rights training for all employees and departments.

#### 4. Assessment and reporting

We carry out **monitoring and reporting actions (phase**4) on an ongoing basis, monitoring potential human rights risks and assessing how improvements, arising from the impact assessment work plans, have been implemented.

#### 5. Complaint and remedy mechanisms

One of our complaint and remedy mechanisms (phase 5), the Concern and Whistleblowing Channel, allows any person or entity to raise legitimately concerns or complaints about human rights and other issues. This channel allows us, beyond the actual resolution of the issue in question, to take appropriate measures to reduce risks by adapting our policies, processes, etc. More

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Due diligence step	Roadmap	Activities
1. Policy	Approved in 2013 Updated in 2019	Human Rights Policy approved by the Board of Directors.  Defines a governance model with clear responsibilities.  Aligned with international human rights norms and standards.  Covers the entire value chain.  Publicly available in several languages.  Communicated internally and externally.  Implementation of policy periodically assessed.  Compilation of recommendations and improvements for the next update.
2. Impact assessments	Ongoing since 2013	Carried out on a regular basis at global level (2013, 2018 & 2022). Conducted with external human rights experts (e.g. with BSR in 2013 and BHR in 2018/2021 and Deloitte in 2022). Covers own business/commercial relationships and products/services. In close cooperation with global/local stakeholders. Additional local human rights risk assessments in all countries in 2022.
3. Integration in processes	Ongoing	Impact assessments submitted to the Sustainability and Quality Committee of the Board of Directors and Responsible Business Office for development of the Responsible Business Plan.  Integration of results of impact assessments into internal policies and processes.  Concrete examples of integration of assessment results into processes:  Establishment of Due Diligence Office  Mandatory human rights training for all employees.  Human rights are established as a 'basic risk' in the Company's risk map (ERM).  Inclusion of human rights clauses in contracts with third parties (suppliers, partners, etc.) and investment agreements, joint ventures, acquisitions and mergers.  On-site human rights audits of suppliers, e.g. on health and safety issues, child/forced labour.  Escalation process in the event of a human rights crisis (e.g. regarding privacy/freedom of expression issues).  Implementation of 'Human rights by design'.  Adoption of new policies related to human rights  Equality Policy  Principles of Artificial Intelligence.  Movistar+ Editorial Code
4. Assessment and reporting	Ongoing	Annual report to the Board of Directors on the implementation of the Plan (which includes human rights).  Risk map: continuous monitoring of human rights risks in the Company's risk map.  Impact assessments: regular assessment of our human rights performance through impact assessments at global/local level.  Annual reports: report on human rights performance in the Integrated Report and Transparency Report (privacy and freedom of expression issues).  Corporate website: updated information on human rights performance.  Institutionalised dialogue with stakeholders through our Stakeholder Panel.  Participation in multi-stakeholder initiatives such as UNGC, United Nations BTech Initiative, etc.
5. Complaint and remedy mechanisms	Ongoing	Complaint and Remedy Channel, allowing stakeholders to file complaints or queries (in several languages) confidentially and anonymously on any matter related to the Responsible Business Principles (also explicitly on human rights). Channel Regulation (publicly available), guaranteeing equal treatment, stipulating that queries must be answered and, where possible, solutions/remedies offered within a maximum period of 6 months.  The consultations on the Channel are used to update human rights policies and processes, etc.



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In addition, we continued to reinforce three cross-cutting initiatives, which help us transforms our human rights commitments into reality:



#### **Human rights by design**

In 2022, the 'human rights by design' approach continued to be implemented. To this end, product managers perform a self-assessment of new products and services using an online tool in the design phase in order to identify and address potential human rights impacts such as privacy, freedom of expression, non-discrimination, artificial intelligence or the impact on vulnerable groups such as minors. If risks are identified, the product or service is subjected to further analysis with the help of the Company's human rights experts in order to avoid adverse effects.

Human rights by design is part of **Telefónica's Responsible Design** initiative, which is set out in Chapter 2.13. Sustainable Innovation.



Go to chapter 2.13. Sustainable Innovation



#### **Training in human rights**

As in previous years, we provided general training for all employees through the **Responsible Business Principles** and Human Rights Course and more specific training for professionals whose work might have a greater impact on human rights (e.g. in procurement).



#### Responsible network deployment

In 2022, we continued to implement our guidelines for responsible network deployment in all countries where we are present. These guidelines were developed in close collaboration with our local teams and outline a set of recommendations to be followed in the following phases of network deployment: deployment justification, deployment planning, deployment and field operation, network operations, and network maintenance and removal.

In each of these phases, four human rights perspectives are considered:

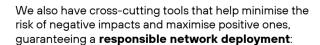
#### 1. Human rights in the workplace

Human rights compliance in the Company's immediate environment includes issues relating to health and safety, working conditions, discrimination and diversity management.



#### 2. Human rights and society

Regarding society, these include issues of privacy, freedom of expression and our relations with local communities and indigenous peoples, as well as bridging the digital divide in rural versus urban areas.



 Training in human rights for professionals in all phases of the process.



#### 4. Human rights and the supply chain

Human rights aspects related to the supply chain include issues related to impacts that may be caused indirectly through Telefónica's business partners, mainly with regard to noncompliance in the workplace, environment or social issues.



#### 3. Human rights and the environment

Related to human rights and the environment are aspects regarding negative impacts on the environment, such as deforestation, soil and water contamination, and effects on biodiversity or visual impact. The latter two occur mainly in the network deployment and maintenance phases, although they are closely related to the planning phase, where all potential impacts originate and can also be avoided or minimised.

- Provision of complaint channels in all phases of the process.
- Ongoing dialogue with local communities.



- 1. Strategy and growth model
- 2. Non-financial Information statement \_Helping society thrive
  - 3. Risks
  - 4. Annual Corporate Governance Report
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In relation to **Telefónica's human rights and environmental** salient issues, referred to in the Strategy and Commitments section, we would highlight the following development during 2022:

#### > Digital Inclusion

Telefónica was distinguished as a world leader in digital inclusion in the **Digital Inclusion Benchmark (DIB)** conducted by the World Benchmarking Alliance (WBA), which analyses how the 150 most influential tech companies, improve access to technology and its reliable use, helping to promote more inclusive digital economy and society.

As an essential part of our commitment to digital inclusion we continue to apply inclusivity criteria in our **Responsibility by Design initiative** to ensure that the development of our new products and services is done in an responsible manner.

In parallel, to reduce the digital divide in rural areas we have launched various initiatives in 2022. We continued to issue **sustainable bonds**, that amongst other things, finance mobile broadband connectivity in poorly connected remote or rural areas. This has allowed us to reduce the digital divide by providing mobile broadband connectivity on average to **4,600 rural areas** per year since 2019.



Go to chapter 1.7 Sustainable Finance

Additionally, Telefónica participates in the consortium, Bluevia. A network operator that provides Fiber To The Home (FTTH) services, with the target of **improving connectivity access to fibre communication in Spanish cities with less than 20.000 inhabitants**, thereby, contributing to the social and economic development in these rural areas.

## > Digital rights (privacy, freedom of expression and information, and cybersecurity)

As a sign of our progress on privacy. freedom of expression as well as cybersecurity in 2022, Telefónica reaffirmed its leadership and for the third year in a row was ranked first among all global telecommunications companies evaluated in the **Ranking Digital Rights** (**RDR**), being the only company, which conducts human rights assessments in all areas considered in the benchmark. For more information about our privacy and secutiry policies visit Telefónica's <u>Transparency Report</u> in our website.



For further information, see chapter 2.19 Privacy and security

This ranking assesses companies' commitments, governance, policies and practices affecting customers' freedom of expression and privacy, including governance and oversight mechanisms.



In 2022, Telefónica joined **B-Tech, a United Nations initiative** to promote human rights in the digital sector and provide a platform for **multi-stakeholder engagement** and **knowledge sharing** on digital rights.

## > Responsible use of new technologies (artificial intelligence and big data)

To ensure that new technologies such as artificial intelligence and big data are developed and used in a responsible manner, we continued to implement our Al Principles in our operations through a dedicated governance model. In this context, we offer a course to all our employees on how to apply and respect human rights by design, including considerations on the responsible use of artificial intelligence.



Go to chapter 2.13. Sustainable Innovation



Practical management example on the impact of Al on products and services, including human rights considerations

An analysis of different products and services was carried out to check as to whether they are in line with our Al Principles. The following criteria of our Al Principles were applied: fairness, transparency, security and privacy, people-centred and collaboration with third parties. Once all the selected products and services were evaluated, a diagnosis of the situation was made, work carried out to remedy the gaps identified and a reassessment performed to see how corrections or improvements were implemented. The aim was to ensure that the Al Principles permeate all areas in which it is applied and to ensure ethical Al by design.



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#### > Child protection

We have a strong commitment to make the Internet a safer placer for minors. In line with our commitments and efforts to ensure a secure digital environment, we continue to reinforce the defence of children's rights by analysing the impact of our business. Our processes and initiatives are aligned with the Child Rights and Business Principles developed by Unicef and apply its MO-CRIA (Unicef Mobile Operator Child Rights Self-Impact Assessment Tool).

Minors, including infants and teenagers, are considered in our identified vulnerable group in our internal policies within our Responsible Business Principles, our Regulation on Responsible Communications and Sustainability in the Supply Chain Policy.

Furthermore, In 2022, we carried implementing the improvement plan developed from the MO-CRIA in areas such as the following:

- Products and services: explicit criterion focused on the protection of minors as a potentially-affected group in the development of new products and services in included in the Responsibility By Design initiative,
- Audiovisual environment: creation of a Movistar + Minor Profile to be used by minors of up to 12 years of age to ensure a secure technological environments within the Movistar + application,
- Secure internet environment: work alongside the Internet Watch Foundation to identify and block images of sexual abuse of minors on the internet.



Go to chapter 2.10. Digital Inclusion

## > Social and environmental standards in the Supply chain

While our supply chain management is explained in more detail in Chapter 2.20, it is important to highlight our commitment to ensuring that our suppliers operate in a way that respects human rights.

To achieve this, in 2022, as in previous years, we required all our suppliers to sign the Supply Chain Sustainability Policy, which sets out contractually binding human rights requirements. In addition, we conducted a risk analysis to identify those suppliers who may constitute a high risk in terms of sustainability in general, and human rights in particular, and required them to carry out a detailed assessment. This assessment of high-risk suppliers is performed through EcoVadis and Integrity Next, two external platforms. In addition, we verified the compliance of the most critical suppliers through on-site audits.

To conduct these audits, we also cooperate with other telecommunications companies within the Joint Audit Cooperation (JAC) initiative, which specifically addresses issues such as forced labour, child labour and/or conflict minerals.



## Practical example of corrective actions: audits and working groups

We work to ensure that human rights are respected throughout the value chain. In the case of suppliers (upstream), we ensure that they comply with their obligations on that matter, among other things, through audits. Some of the issues that are reviewed in these audits are: health and safety, freedom of association, working conditions and wages, discrimination, forced labour or child labour. Audits help us to identify potential noncompliance with human rights by our direct and indirect suppliers (Tier 2 and above). A concrete example in 2022 was the identification of working hours exceeding the local legislation at a factory in our supply chain. As a corrective action, it was agreed that employment contracts should require the signing of working hours so that overtime hours cannot exceed 36 hours per month. With this corrective action implemented. workers' overtime now complies with the regulation (more examples of corrective actions are given in the table in the section,"JAC audit details", in Chapter 2.16. Responsible supply chain management). In addition to audits, we are part of a specialised human rights working group within the JAC sectoral initiative. This working group was created in 2021 and analyses trends, new regulations or specific human rights risks in the ICT supply chain and proactively undertakes different initiatives to address any identified shortcomings.



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In addition, we promote best practice on human rights in our supply chain through various supplier engagement initiatives such as the **Supplier Development Programme.** 



More information on chapter 2.20. Responsible supply chain management

#### **MILESTONES**

- → Human rights risk assessment in all our operations.
- → Global Human Rights and Environment Impact Assessment in 2022.
- → Further integration of human rights aspects in our Responsible Design approach.
- → Leading telco in the 2022 Ranking Digital Rights Telco Giants Scorecard.
- → Issuance of sustainable bond to promote broadband connectivity in rural areas

#### **Summary of key indicators**

	2021	2022
No. of employees trained on human rights through our Responsible Business Principles course	88,815	91,347
% of operators subjected to a human rights impact assessment	100%	100%
No. of on-site human rights audits of suppliers (labour issues, child/forced labour, health and safety, privacy and security)	10,721	9,964
Number of queries/complaints received on human rights through the Responsible Business Channel <sup>5,6</sup>	2	5
% of significant investment agreements <sup>(4)</sup> signed by Telefónica S.A., Tech and Infra that contain human rights clauses. <sup>7</sup>	100%	100%

<sup>&</sup>lt;sup>5</sup> Well-founded complaints filed in the Whistleblowing channel regarding human rights issues such as privacy, harassment/mobbing and discrimination are covered in the chapter on Ethics and Compliance (complaint and remedy mechanisms: consultation and complaint channels).

<sup>&</sup>lt;sup>6</sup> The consultations/complaints received on Privacy and Freedom of Expression are listed in the table 'Summary of key privacy and security indicators' in Chapter 2.19 Privacy and Security.

Significant investment agreements are those signed by Telefónica, S.A., Tech and Infra during the reporting period that have led to a position of control of another entity and have entailed a capital investment project material to the financial accounts. According to this definition, the following significant investment agreements have occurred in 2022:

On March 21, 2022, Telefónica Tech UK & Ireland, Ltd. ("T. Tech UK") entered into an agreement to purchase the shares of the Scottish company Perpetual TopCo Ltd. and, indirectly, its subsidiaries (collectively, "Incremental Group"). The transaction was signed and completed simultaneously, as it was not subject to any suspensive conditions.

On May 8, 2022, Telefónica Cybersecurity & Cloud Tech, SLU ("TCCT") signed an agreement for the purchase of shares of the German company BE-terna
Acceleration Holding GmbH and, indirectly, its subsidiaries (collectively, "BE-terna Group"). After obtaining the authorisation of the German antitrust
regulatory authority, the transaction was executed on June 9, 2022.

On December 20, 2022, and once the corresponding regulatory authorisations were obtained, Telefónica España Filiales, S.A.U. ("Telefónica España Filiales"), Telefónica Infra S.L. (T. Infra) and the consortium formed by Vauban Infrastructure Partners ("Vauban") and Crédit Agricole Assurances ("CAA") executed an agreement for the establishment of a joint venture, Bluevía Fibra, S.L. ("Bluevía"), whose corporate purpose is the deployment and commercialisation of a fiber-to-the-home (FTTH) network in mainly rural areas in Spain. By virtue of the agreement reached, Telefónica Group owns 55% of the capital of Bluevía (30% Telefónica España Filiales and 25% T. Infra), with Vauban/CAA owning the remaining 45%.

Within the set of contracts of the three operations, in the so-called "Investment Agreements", clauses on human rights issues were included.