

Index

Ch	aairman's letter	4
CHAPT	TER 1. STRATEGY AND GROWTH MODEL	6
1.1.	Context	7
1.2.	. Mission	1"
1.3.	. Business model	12
1.4.	. Materiality	15
1.5.	. Strategy	23
1.6.	. Organisation	27
1.7.	Sustainable finance	3:
1.8.	. European taxonomy for sustainable activities	38
1.9.	. Main indicators and footprint	52
1.10	D. Business overview	59
CHAPT	TER 2. NON-FINANCIAL INFORMATION STATEMENT	
Bui	ilding a greener future	86
2.1.	. Responsibility with the environment	87
2.2.	2. Energy and climate change	92
2.3.	B. Circular economy	107
2.4.	l. Digital solutions for the green transition	116
He	elping society thrive	123
2.5.	i. Human capital	124
2.6.	Attraction, retention and talent development	130
2.7.	'. Diversity and Inclusion	144
2.8.	B. New ways of working	16
2.9.	2. Safety, health and well-being at work	166
2.10	0. Digital Inclusion	176
2.11	1. Customers	189
2.12	2. Responsibility in our products and services	198
2.13	3. Sustainable Innovation	204
2.14	4. Contribution and impact on communities	216
2.15	5. Human Rights	229
Lea	ading by example	240
2.16	6. Governance and culture of sustainability	24
2.17	7. Ethics and compliance	246
2.18	8. Fiscal transparency	256
2.19	9. Privacy and security	264
2 20	20 Responsible supply chain management	284

Арр	pendix	301
2.21	Appendix	301
	Table of Climate-related Financial Disclosures (TCFD)	313
	Compliance table Spanish Law 11/2018 of 28 December-GRI Standards	315
	SASB compliance table	334
	GSMA compliance table	336
	PAI metrics table Copy	341
Veri	fication report	346
AEN	·	351
Rea	sonable assurance	356
2.22	. Reasonable assurance	356
Ass	urance report	360
CHAPT	ER 3. RISKS	
Risl	ks factors associated with the issuer	365
3.1.	Risks management framework	365
3.2.	Risks map	373
3.3.	Risks factors	380
CHAPT	ER 4. ANNUAL CORPORATE GOVERNANCE REPORT	
4.1	Main aspects of Corporate Governance in 2022 and prospects for 2023	395
4.2	Structure of the Property	401
4.3	General Shareholders' Meeting	407
4.4	The organisational structure of the Administrative Bodies	416
4.5	Transactions with related parties and conflicts of interest	447
4.6	Risk Control and Management Systems	450
4.7	Internal Risk Control and Management Systems in relation to the Financial Information System (SCIIF)	451
4.8	IAGC Statistical Annex	464
4.9	Further information of interest	502
CHAPT	ER 5. ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS	
5.1.	Annual Report on Remuneration	507
5.2.	IAR Statistical Annex	531
CHAPT	ER 6. OTHER INFORMATION	
6.1.	Liquidity and Capital Resources	545
	Treasury shares	548
	Events after close	549
	Average payment period of the Spanish companies	550
6.5.		551
	tion and impact on communities	301
Jonatha	and and angular or communities	



Chairman's Letter



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

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



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

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

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

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

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

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

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

0 0 0

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

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

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



José María Álvarez-Pallete Chairman of Telefónica



- 1. Strategy and growth model
 - 2. Non-financial Information statement
 - 3. Risks

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

Strategy and growth model

- 1.1. Context
- 1.2. Mission
- 1.3. Business Model
- 1.4. Materiality
- **1.5.** Str<u>a</u>tegy

- **1.6.** Organisation
- 1.7. Sustainable finance
- **1.8.** European taxonomy for sustainable activities
- 1.9. Main indicators and footprint
- 1.10. Business overview







1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.1. Context

GRI 3-3

1.1.1. Background: political polarisation, uncertain economic scenario and increased ESG regulation

The world continues to face **serious challenges**. By the end of 2022, after the end of the COVID-19 crisis in most countries, geopolitical tensions and the macro situation signalled a change in the economic cycle, marked by supply constraints, energy shortages and a return to high levels of inflation. This said, behind the difficulties also lie new opportunities. Understanding the context is key:

- In geopolitical terms, the war in Ukraine is redefining a new world order. After a long period (at least 30 years) of globalisation and relative calm, the world seems to be realigning around new political and ideological blocs. The increasingly polarised political situation leads to weaker and more unstable governments in traditional democracies, favouring authoritarian regimes or the rise of new populist regimes. This polarisation makes it more difficult to reach agreements that address major structural problems domestically or globally.
- The conflict in Ukraine has significantly increased **global security** risks and countries are considering increasing their defence budgets. As a preventive measure, the use of technology that can be used for war purposes (e.g. state-of-the-art chips) is restricted. In addition, the threat of cyberattacks against companies, infrastructures and individuals is increasing, leading to a substantial scaling up of efforts to protect communication infrastructures and data integrity.
- In trade terms, the supply crunch exacerbates the supply problems that have resulted from the pandemic in previous years. The war has led to an increase in the scarcity of raw materials and disruption in global supply chains. In addition, sanctions have disrupted regular fuel trade, triggering an energy crisis (mainly in Europe, although this has spread to the rest of the world).

- In macroeconomic terms, all these factors have contributed to the inflationary situation. After a decade of price increases close to zero in major world economies (though not in emerging markets), containing inflation is back on the agenda of central banks. In 2022, we are witnessing a general increase in benchmark interest rates in highly indebted countries. Economic cooling threatens to slow growth and even trigger a risk of recession.
- Rising interest rates, together with the uncertainty of the future macro scenario, have an impact on capital markets. Stock markets suffered a correction in the second half of 2022, especially technology stocks.
 Moreover, we are witnessing a major reshaping of the cryptocurrency market, which impacts on the main players and the value of the corresponding assets (cryptocurrencies, NFTs, etc.).
- From a long-term sustainability point of view, the urgent need to reduce the impact of economic activity on the environment and to meet the 1.5 degree target scenario is increasing. In addition to the transition to more efficient and renewable-energy-based models to reduce emissions, a shift to a circular economy is required. The ultimate goal is to maximise the reuse of resources while minimising the impact on the planet.

Against this backdrop, governments and other regulators continue to put increased pressure on the corporate world. Over the last year, this **regulatory pressure** resulted in the following standards or draft standards:

 In the course of the year, EU authorities reached political agreements on the new Corporate
 Sustainability Reporting Directive (CSRD). The CSRD incorporates more complex and demanding reporting requirements regarding the scope and type of information to be published, as well as the format of the report.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Challenge 1: a more environmentally friendly economy

The ongoing crisis has brought the need for concrete plans for **energy transition** back to the forefront. The development of generation, storage and distribution infrastructures that reduce dependence on fossil fuels is a priority. It is important to provide the necessary resources to invest in this field on a continuous basis despite short-term pressures.

As geopolitical tensions grow, the gap widens between nations competing for access to resources necessary for economic growth, including basic goods such as water, agriculture, livestock and essential industries. Energy transition targets must take into account the right to development of these countries, enabling sustainable development through support for decarbonisation.

Digitalisation as an opportunity for a more sustainable world:

The transition to a greener economy goes hand in hand with a digital transformation of activities (twin transition). This requires the coordination of public and private policies, together with sufficient investment in new technologies for an increasingly digital economy.

The digitalisation of infrastructure leads to better use of scarce resources. Investment in the basic infrastructure of the future requires new connected solutions, based on technologies such as the Internet of Things (IoT), big data, artificial intelligence (AI), etc. Innovation is starting to be implemented in fields such as infrastructure management, agriculture, electricity, water, waste management, smart cities, etc. and is expected to grow strongly in the future.

Technology is also at the core of the new infrastructure for sustainable energy generation. The opportunity for companies will come from the commitment to non-fossil fuel energy sources, which seek to guarantee supply and quality in the long term. This will generate cost savings and will mean that companies that transition their production models will be less vulnerable to price fluctuations and will be exposed to less regulatory risks (potential fines, limitations on activity, risk of supply rationing, etcetera.).

In the wake of the recent healthcare crisis, and given the new economic conditions, most companies have also accelerated their digital transformation. The digitalisation of company processes leads to increased productivity and better use of resources. The availability of 100% digital processes will speed up the move towards a circular economy.

- The European Sustainability Reporting Standards (ESRS) will be published soon. They aim to ensure that the information published is reliable, consistent and comparable across companies and industries. The ESRS introduce the concept of double materiality in reporting and represent a significant increase in the volume and scope of information to be reported.
- The Corporate Sustainability Due Diligence
 Directive focuses on corporate governance to
 integrate risk management into companies' strategies
 as part of the human rights and environmental targets
 set. The new directive seeks to avoid fragmented
 requirements and increase the potential liability of
 companies for adverse impacts. In addition, it ensures
 improved access to relief for injured parties and
 complements various other sustainability measures.
- Outside the European Union, the SEC (Securities and Exchange Commission) has also proposed to increase reporting requirements for companies on risks and the impact of their activities on the environment. These new rules will apply to companies with instruments listed on US markets and will include information on carbon footprint, emissions and other climate changerelated impacts.

Despite the uncertainty, there is still room for growth and it is up to market leaders like Telefónica to innovate, seize this opportunity and be more sustainable over the long term. Technology is not the only answer to the challenges of the future, but it must form an important part of solutions in a highly connected and digitalised world.

1.1.2. Sustainable growth and inclusion: opportunities related to new global challenges

The world faces a number of major long term challenges. Global agreements, incorporating all stakeholders are vital to tackle these challenges. **Companies** playing their part, must coordinate their efforts with the rest of society in order to move forward. The following challenges provide clear opportunities for growth:



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Challenge 2: promoting equity between countries and inclusion of all social groups

Successive economic crises exacerbate **economic and social inequality,** leading to tensions both between countries and within individual societies. The UN Sustainable Development Goals (SDGs) aim to reduce inequalities and ensure that no one is left behind, as "we cannot achieve sustainable development and make the planet a better world for all if there are people who are deprived of opportunities, services and the possibility of a better life".

 Promoting equity amongst countries, the impact of interlinked crises (pandemic and geopolitical tensions) increases disparities in terms of access to basic supplies. The risk of humanitarian crises (famine and refugees) increases under the current macro economic conditions. The world economic order must take into account the needs of a very considerable part of the world's population in developing countries.

After the birth of the world's eight billionth inhabitant, **population pressure** continues to rise. Accommodating the circumstances of two groups of countries with opposing problems is required in order to find solutions. In the first instance, the challenge is the gradual ageing of the population and the need to provide resources, mainly in health and care. In the second instance, it involves improving basic living conditions for populations that continue to grow. The need to address migratory flows is present between the two.

Promoting equity within individual societies, the
inequality gap between different socio-economic
groups continues unabated. The crisis has exacerbated
economic disparities and threatens to put significant
parts of the population at risk, even in the most
developed societies.

Similarly, in order to have a fairer society, we must **encourage everybody to participate**. Economic activity must harness all available talent through active inclusion policies. Access to employment, non-discrimination and a balance between personal and family life must be part of a new social pact.

Digitalisation as an opportunity for a more inclusive society:

Digital skills and access to networks are becoming essential in an increasingly technological society. Education and lifelong learning for workers are key tools to ensure social inclusion, reduce inequalities and enhance countries' competitiveness.

Bridging the digital divide also requires the entire population to have access to communications networks. Telecommunications companies are instrumental in the deployment of the next generation infrastructures that make the new economy possible. The challenge lies in extending the coverage of these networks to include

traditionally excluded populations (rural, remote and sparsely populated areas).

First and foremost, digital inclusion requires access to basic education in digital skills for the population. Digital literacy enables equal access to the most in-demand professions for the future and improves people's chances of development.

1.1.3. Telecommunications sector: highspeed networks, new digital business models and regulatory environment

The telecommunications sector is crucial for societies as it enables access to quality **digital infrastructure and services** and bridges the digital divide. This is demonstrated by the constantly growing demand for data

Fixed infrastructure continues to evolve towards fibre-to-the-home (FTTH), with higher speeds and better performance than copper. Telefónica has led this transition among European and Latin American operators, opting for direct investments or for vehicles with other partners. Fibre also allows the substantial reduction of energy consumption and hence the carbon footprint of our operations and customers.

In **mobile connectivity,** the transition to the next generation (5G) is gathering pace. 5G enables new business models based on a superior quality of service, in addition to providing higher performance in terms of speed and latency. Accelerating 5G Stand Alone (SA) deployments, based on native core networks, will enable new customer use cases, initially in the industrial field.

Among the emerging technologies, the main players in the ICT sector are committed to the shift from the current internet model towards **Web3**. Communications are an essential part of this new ecosystem.

Telecommunications operators develop the infrastructure that provides the technical capabilities for the metaverse, with an excellent end-user experience that requires superior connectivity.

Alongside the rollout of 5G, telecommunications operators continue to modernise their computing capabilities and systems. The deployment, management and operation of next generation networks are more and more often carried out from a software platform. This allows operators to extend their capabilities to third parties via APIs. In this area, telecommunications companies can implement new business models to monetise their networks not only with end-customers, but also by offering network capabilities to external developers. Telefónica is leading the rest of the industry in developing these models, starting with the standardisation of platforms.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Adapting regulation to new market conditions:

The telecommunications sector remains deflationary despite the growing importance of connectivity and cost pressures. In view of the strong investment needs required to achieve the connectivity targets, it is **necessary to review the regulatory framework** in order to adapt it to the sector's new circumstances.

In terms of competitive dynamics, the main markets have a high **number of players**, especially in Europe, with a strong impact on returns on investment. The current regulatory and competition model, originating from the era of the old monopolies and being price-driven, is not sustainable in the long term or compatible with infrastructure investment. The criteria for authorising mergers should be reviewed, where appropriate, without said criteria imposing conditions that are harmful to the sector.

At the same time, the debate on the **contribution of the largest traffic generators** to network investment remains on the table. We believe that it would be beneficial for all parties if those over-the-top companies (streamers, hyperscalers, etc.), which account for a disproportionate share of traffic growth, were to contribute to deployments on a fair share basis.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3 Pieke
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.2. Mission

"To make our world more human by connecting lives".







Our mission puts people at the centre of everything we do. We want to be a company that is trusted by customers, employees, suppliers, shareholders and society in general. Our mission has two key elements:

- · Making the world more human: corporate ethics are at the heart of everything we do, always placing technology at the service of **people** and protecting the planet through digitalisation. We take into account our various stakeholders' expectations and needs in order to build relationships of trust.
- · Connecting people's lives: this means that we aim to digitalise society as a whole, leaving no one behind, and reduce the digital divide in terms of access, affordability, accessibility and training in digital skills. It also drives us to innovate so that we can offer products and services that add value and contribute to improving people's lives and leads us to leverage digital solutions to decarbonise the economy.

The pandemic crisis made our mission even more important: never before has being connected made such a big difference; it has changed the way we study, work, interact and do business. This new way of doing things, which is more online and digital, also offers environmental benefits. The most obvious example is how remote working reduces employee commuting, which leads to lower fuel consumption and office air conditioning, meaning lower CO₂ emissions.

The telecommunications sector is a pillar of our society and in the coming years the sector will continue to play a key role in an economic and social recovery and in building a greener and fairer economy for all.

Aligned with the 2030 Agenda

Our corporate purpose combines naturally with the United Nations 2030 Agenda, which explicitly highlights the key role of technology, innovation and communications in addressing the great challenges facing humanity.



For further information, see chapter 2.14. Contribution and

Deploying infrastructure is essential, but it is not sufficient on its own. Based on this infrastructure, we need to develop services that add value and allow us to get the full socio-economic benefit of technology. There is also a need to increase the digital skills of society and businesses. Telefónica is committed to making this happen.

We want to be recognised as a key player in the sustainable development of society, as an enabler to help tackle emerging socio-economic and environmental challenges.

Aligned with our Responsible Business **Principles**

To make our mission a reality, we must have clear principles that consistently guide our decisions and actions inside and outside the Company



For further information, see chapter 2.16. Governance and a

We have a code of ethics and conduct, our Responsible Business Principles and a Sustainability Policy, which help drive us to act with integrity, commitment and transparency.

Brand and culture alignment is also key. Our aim is for Telefónica's corporate purpose and values to be reflected in our conduct, processes and objectives, ensuring consistency between what we say and what we do, so that this shared vision spreads from employees to customers and from customers to society. This culture is strengthened when we are consistent in how we behave within the Company and how we present ourselves. This helps us clarify our raison d'être and how we can help make the world a better place.



• 1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

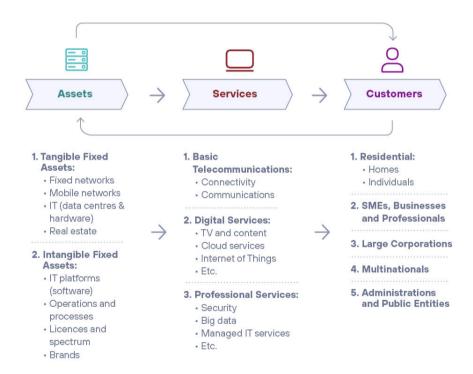
1.3. Business model

GRI 2-6

Traditionally, the telecommunications business has been based on the investment and operation of a series of assets, mainly network assets, on which operators build services targeted at all their customer segments.

Nowadays, networks are moving towards models more akin to software platforms. This enables **the creation of new business models,** based on making the main capabilities of our networks available to different players (not only end customers) through connectors or Application programming interface (APIs).

1.3.1. Traditional telecommunications model: services aimed at end customers with investment in network assets



The **traditional value chain** of telecommunications operators includes the following elements:

- Assets: a set of tangible and intangible elements, developed through investment, which is typically capital-intensive. These are mainly fixed and mobile networks, their subsequent developments, business and service platforms and other intangible elements (licences, spectrum, brands, etc.).
- Services: companies in the sector typically develop their own services based on the assets deployed (or may offer third-party services). The core business includes the main fixed and mobile communications businesses, although operators have been shifting towards businesses adjacent to connectivity.

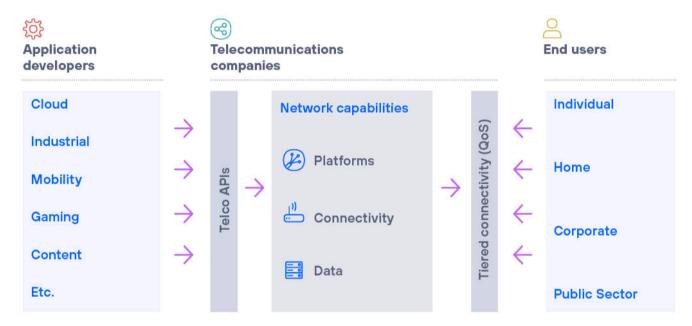


- 1. Strategy and growth model
 - 2. Non-financial Information statement
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

 Customers: integrated telecommunications companies, such as Telefónica, usually have a very diverse portfolio of customers in each of their markets (residential, corporate, public administrations, etc.). The commercial offering is adapted to each of these segments to meet their needs.

1.3.2. Evolving telecommunications business models: APIfication of network capabilities and tiered connectivity

New telecommunications business models



In recent years, **networks** have been incorporating new technologies that allow innovative services to be developed and new business models to be built around them.

The combination of cloud computing with the softwarisation of network elements and functions enables **Network as a Service (NaaS)** business models. NaaS facilitates the development of more flexible models for customers, with lower upfront investments and a higher degree of control over their communications.

With the advent of 5G and the modernisation of platforms, new network capabilities have been developed. **Edge computing** technologies allow services to be moved closer to the end customer, improving the customer experience. This capability is essential for reducing latency and developing many use cases.

The new networks also include the possibility of developing **network slicing**, which allows the creation of multiple virtual networks (slices) on the same physical network. These slices can be tailored to provide different operating parameters (bandwidth, latency, availability, etc.), adapted to customer needs.

Meanwhile, telecommunication companies have been upgrading their information systems (IT) and the software platforms that operate the networks. These allow operators to provide certain functions securely through **standardised interfaces (APIs)**. Other companies can develop services based on these APIs.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The combination of all these technologies will have a direct impact on traditional telco business models. **There is an opportunity to refocus connectivity based on different network quality tiers.** The transformation will be dictated by the possibility of monetising two elements simultaneously:

- On the developers' side, to improve the user experience of their services. These companies would be willing to pay for access to premium network capabilities.
- On the end-customer side, the commoditisation of data is reversed, allowing end users (telco customers) to pay for particular service capacities depending on how they will use the connection.

To seize the opportunity for these new businesses, operators will need to become **orchestrators of all of the above elements** (networks, platforms, developers, end customers).

The transition to tiered connectivity, based on quality (speed, latency, security or other characteristics) requires a change in the current **regulatory model**. The current focus on price competition leads to the commoditisation of telcos' services. A forward-looking regulatory model must encourage innovation and fairly reward investment in the networks that underpin the economy of the future.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.4. Materiality

KEY POINTS



We have been reporting on double materiality since 2021 as a way to identify how sustainability issues impact Company value and how our activities affect society and the environment.



In 2022 we updated the double materiality matrix with a focus on the identification and prioritization of key issues, in keeping with EFRAG recommendations, and following consultation with our stakeholders.



Our double materiality matrix classifies material issues into three levels of impact based on their strategic relevance, urgency and/or required approach.

1.4.1. Double materiality

In 2022, following the approval of the European Corporate Sustainability Reporting Directive (CSRD) and in accordance with the guidance from the European Financial Reporting Advisory Group (EFRAG) technical expert group, we updated our materiality matrix to provide more detailed information based on the double materiality framework.

This approach facilitates the inclusion of sustainability as a decisive factor in our strategy and decision-making processes by identifying and assessing the most significant sustainability issues for our Company from a two-fold perspective:

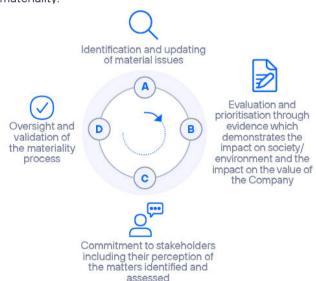
- Impacts on Company value ("financial materiality" or "inward impacts"), which are geared towards the sustainability issues that affect our financial profitability and our capacity to create value for shareholders and investors.
- Impacts on society and the environment
 ("environmental and social materiality" or
 "outward impacts") stemming from activity by the
 Company, including those that affect human rights.

Expectations from our stakeholders have also been included under the concept of **dynamic materiality** as a way to consider how their priorities evolve over time and the trends that affect them.

1.4.2. Double materiality determination process

GRI 3-1, 3-3

We have followed a four-step process to analyse double materiality:





1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

B. Evaluation and prioritisation through evidence which demonstrates the impact on society/ environment and on Company value.

The material issues we identified in step one were assessed and weighted from two perspectives: their impact on society and the environment; and their impact on Company value (financial materiality).

Impact on Society - Environment

In this regard, we considered the Company's context, the identification of real and potential impacts, and the assessment of those impacts. The following studies were taken into account when identifying adverse impacts:

 Telefónica's Environmental and Human Rights Global Impact Assessment. In 2022, we updated our global impact on these issues in line with the material issues identified in step one. Impact severity and likelihood were also taken into consideration.



For more information, see chapter 2.15. Human rights.

 Telefónica's Social and Environmental Contribution Study. In 2022, we assessed and published our impact on people and our environment.

We analysed our activities, operations, products and services, social action and their alignment with the Company's strategy. Consideration was given to a set of impact variables based around the Company's three strategic priorities and the Sustainable Development Goals for the assessment, and was aligned with the issues identified in step one.



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

By combining the two assessments, we obtained the materiality linked to the impact from each issue. We set **five impact levels** (slight, low, moderate, high and critical) in both cases (positive and negative).

Financial materiality or impact on Telefónica's value

To determine the impact on Company value and also based on the material issues identified in step one, we considered those risks and opportunities that affect or might affect the Group with regard to those issues and in the following way:

 Risks: the issues identified were linked to the risks in the Telefónica Group model, including the global assessment of each risk in 2022. This considers the criticality level based on the potential economic impact and the likelihood of occurrence, among other factors.

A. Identification and updating of material issues

The first step when analysing materiality is to identify a broad universe of sustainability issues that could potentially be significant for Telefónica. This is essential to minimise the risk of overlooking any emerging issues and to guarantee a thorough and credible analysis.

We therefore used our 2021 materiality analysis as a starting point. The issues considered for that analysis have been updated through external and internal documentary research that considered the nature of our Company, its value chain, its stakeholder map and the impacted audiences.

The following **sources** were used for that documentary analysis:

External

- Global ESG regulatory context: analysis of international environmental, social and corporate governance standards, as well as legal requirements, globally applied local standards, economic policies, selfregulation standards, etc.
- Benchmark: materiality matrices of the leaders in our sector.
- ESG criteria applied by the main ESG rating analysts: MSCI, S&P, Sustainalytics, Moody's Vigeo, and FTSE among others.
- Non-financial or sustainability reporting standards (GRI and SASB).
- Sustainable Development Goals and targets
 (SDGs): taking into account the goals to which we can
 make the most decisive contributions.
- Expectations from our stakeholders by identifying priority issues through the various engagement channels we have with them. For further information, see our table of stakeholder engagement channels.

Internal

Besides analysing relevant internal documentation, we also consulted with cross-departmental areas from an ESG point of view, mainly Global Sustainability Management and Strategy Management.

After identifying the issues, we defined and organised them into three levels, which is outlined in the appendix:



For further information, see Appendix 2.21.3. Material issues.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information



For further information, see chapter 3.1.4. Risk tolerance or appetite.

 Opportunities: following an internal analysis with the Strategy area, we estimated a number of opportunities linked to the issues identified in step one, in terms of both potential new revenues and efficiencies. The estimated impact, and the size and likelihood of capturing the opportunity were taken into account for their assessment.

We set **five impact levels for their assessment** (slight, low, moderate, high and critical) in both cases (risks and opportunities).

 Reputational risk: after the two assessments were included from the point of view of risks and opportunities, we weighted each issue from a reputational perspective, giving more weight to those ESG issues with a reputational impact according to RepRisk¹.

The resulting combination of all these point of view reveals the material issues from a perspective of impact on Company value.

C. Commitment to stakeholders, including their perception of the issues identified and assessed

Telefónica's strategy on engagement with and commitment to stakeholders is based on increasing transparency and effective dialogue to build relationships of trust.

These relationships enable us to identify which aspects are considered most significant by our stakeholders (customers, employees, strategic partners and suppliers, shareholders and analysts, government bodies and regulators, opinion leaders, the media and communication services, and society) and to identify new trends in the field of sustainability.

As a result, we consulted with various groups and took their responses into account when identifying and weighting the issues of relevance to each one. The main consultation processes are listed below:

- A consultation with our stakeholders that provided the foundations for materiality in 2021 based on methodology we developed internally which was implemented and validated by Ipsos (a multinational market research company).
- An updated consultation in Brazil and Hispanoamerica in 2022. A total of 4,598 people actively took part in Brazil and 2,289 in Hispanoamerica.
- A study on B2C customers to identify which ESG initiatives currently ongoing and/or under development are relevant to users.
- Interviews with internal and external stakeholders as part of the environmental and human rights impact assessment process.
- In addition, we considered other communication channels with our stakeholders that are further discussed in this chapter under the section entitled "Stakeholder Engagement".

D. Oversight and validation of the materiality process

At this stage, we presented and cross-checked the results we obtained. This is undertaken with the areas that took part in the process both globally and locally, as well as with various managers and internal bodies, such as the Sustainability and Quality Committee.

¹ RepRisk, an ESG data science company that combines automatic learning and human intelligence to identify ESG risks with a possible reputational impact.



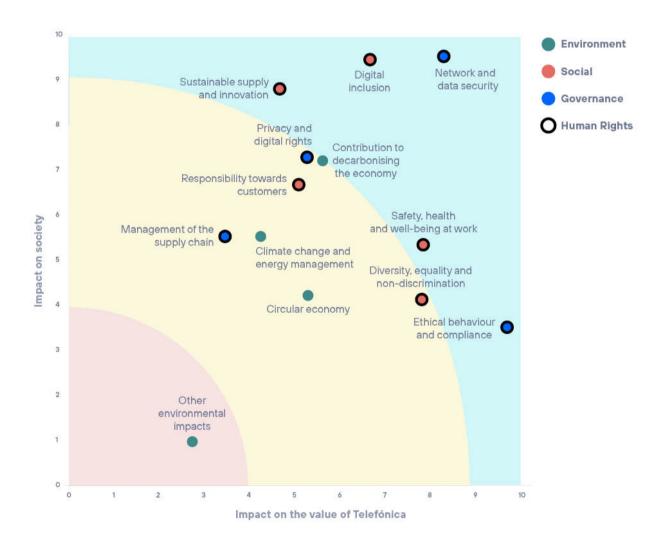
1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.4.3. Materiality matrix

The process we followed has produced a **double materiality matrix from a global perspective** based on the impact on Telefónica's value and the impact on society and the environment.

We understand that all the issues identified in the matrix are material. They have been classified according to their impact on each axis, so there are priority issues from the point of view of a financial impact or from both perspectives in such a way that the various users of the information can clearly understand both the process and the results





1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Classification of material issues



1.4.4. The materiality matrix in detail

GRI 3-2

Material issue	Impact on society and the environment	Impact on Company value	SDGs	Chapter of the Report	Main KPIs
LEVEL ONE					
Network and data security		•	16 PEACE, IUSTICE AND STRONG INSTITUTIONS INSTITUTIONS INSTITUTIONS INSTITUTIONS IN THE PEACE OF THE PEACE INSTITUTION IN THE PEACE IN THE PEACE INSTITUTION IN THE PEACE IN	2.19. Privacy and security	Number of people attending training courses on information security / cybersecurity Security Operation Centres (SOCs) Number of security events monitored worldwide
Digital inclusion		•	4 GUALITY EDUCATION 9 ROUSTRY, RINGUISTER AND INFRASTRUCTURE	2.10. Digital inclusion	 Mobile coverage percentage in rural areas within major markets Universal Service - financial resources Number of people benefiting from training programmes on digital skills
Contribution to economic decarbonisation	•	•	7 AFFORDABLE AND CLEAN ENERGY	2.4. Digital solutions for the green transition	 Percentage of products and services developed under sustainability criteria (e.g. environmental, accessibility and ethics) Percentage of the B2B portfolio verified as sustainable
Ethical conduct and compliance		•	16 PEACE JUSTICE AND STRONG INSTITUTIONS	2.16. Governance and a culture of sustainability 2.17. Ethics and compliance 2.18. Fiscal	Number of operations assessed for corruption-related risks Number of fines paid in the year subject to the report for non-compliance with legislation and regulations Profit or loss before tax



- 1. Strategy and growth model
 2. Non-financial Information statement
 3. Risks
 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 6. Other information

Material issue	Impact on society and the environment	Impact on Company value	SDGs	Chapter of the Report	Main KPIs
Sustainable offering and innovation	•	•	12 RESPONSIBLE MAN PRODUCTION AND PRODUCTION AND PRODUCTION AND INFINASTRUCTURE	2.12. Responsibility in our products and services 2.14. Sustainable innovation	Percentage of products and services that meet health and safety standards
Labour practices and Health & Safety	•	•	16 PRACE JUSTICE AND STRINGS INSTITUTIONS	2.5. Human capital 2.6. Attraction, retention and skill development 2.8. New ways of working 2.9. Occupational health, safety and well-being	eNPS Number of employees involved in the reskilling programme Percentage of employees with a hybrid work model Percentage of all employees covered by collective bargaining agreements Coverage by the occupational health and safety management system Total average remuneration
LEVEL TWO					
Privacy and digital rights	•	•	16 PEACE JUSTICE AND STRONG INSTITUTIONS	2.19. Privacy and security	Total number of confirmed fines for privacy / data protection issues Number of training hours on privacy / data protection courses
Diversity, equality and non- discrimination	•		5 GENDER EQUALITY	2.7. Diversity and inclusion	 Gross pay gap Percentage of women directors Number of employees with disabilities
Responsibility towards the customer			12 RESPONSIBLE CONSUMPTION AND PRODUCTION	2.11. Customers	eNPSDigital channels - total customers
Climate change and energy management	•	•	13 CLIMATE ACTION	2.2. Energy and climate change	Total energy consumption (MWh) Percentage of renewable energy Percentage of renewable electricity at owned installations
Supply chain management	•	•	8 BEESH WORK AND ECONOMIC CROWTH	2.20. Responsible supply chain management	Number of on-site human rights audits of suppliers (labour issues, child/forced labour, health and safety, privacy and security) Number of suppliers identified as suppliers with real and potential significant negative social impacts Number of audits on high-risk suppliers Number of electromagnetic field measurements
Circular economy	•		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	2.3. Circular economy	 Waste recycled (%) Recovery rate of all devices Number of electronic equipment purchases based on circularity criteria
LEVEL THREE					
Other environmental concerns	•		13 CLIMATE	2.1. Responsibility towards the environment 2.3. Circular economy	Visual impact reduction measures (number)
CRITICAL HIG	ih MODERATE	LOW	SLIGH	Т	



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Below are the main publications that report on our activities, which help ensure clear communication and foster transparency:

- Consolidated Management Report.
- Quarterly results presentations.
- Prospectuses, mainly those that meet the requirements of the legislations of some of the markets in which the company's securities are traded (20F or Registration Document).
- Publications on the global and local Telefónica websites.
- Social media presence: LinkedIn, Facebook, Twitter, Instagram, YouTube and TikTok.
- Dialogue: we maintain ongoing conversations with our stakeholders through active listening, the promotion of two-way and effective communication, and direct, fluid, constructive, diverse, inclusive and inter-cultural dialogue that enables us to know their expectations, identify their priorities and build a relationship of trust.

This ongoing dialogue **forms part of our daily operations** and is built on each one of the interactions that stakeholders have through the various channels set up for this purpose.



For further information, see Appendix 2.21.1. Telefónica stakeholders

The constant monitoring of the main channels for dialogue with major stakeholders enables us to measure the impact of our relations with and commitment to them. In this way, it becomes possible to **establish action plans** that meet their needs, boosting positive impacts and mitigating any that might be negative. Below is a list of the main communication channels:

1.4.5. Stakeholder engagement

GRI 2-12, 2-29

Telefónica's stakeholder engagement strategy is based on increasing transparency and effective dialogue to build relationships of trust.

These relations enable us to identify which aspects are considered most significant by our stakeholders and to identify new trends in the field of sustainability. In this way, we set our targets, define the strategic plan (the Responsible Business Plan) and also assess our ability to meet society's expectations.

Our stakeholder management is based on:

- Collaboration: we foster collaboration with our stakeholders as a way to contribute towards our purpose and values, and achieve the SDGs.
- Consultation: we encourage participation and involvement from our stakeholders, promoting voluntary consultation processes (through surveys, for example) on the relevance of current issues and their opinion about the Company in order to prepare our materiality matrix.
- Ongoing improvement: we regularly review our stakeholder engagement mechanisms to ensure they meet existing needs at any given moment as effectively as possible.
- Transparency: we guarantee transparency in relations and in financial and non-financial communication, sharing truthful, relevant, complete, clear and useful information.

At Telefónica, we have regulations that govern information to markets and other stakeholders in order to guarantee that the information released by the Company is known by the markets, investors and other stakeholders, maximising the communication and quality of this content.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Communication channels with our stakeholders

Stakeholder	Channel for dialogue	Impact KPI	2021	2022		
	Movistar Spain Contact Centre (1004)	Unique customers served (annual average)	805,126	729,348		
Customers	Digital channels	Total customers ²	2,774,565	2,686,123		
	Multi-channel relationship survey	Number of surveys conducted ³	More than 36,000	More than 36,000		
	eNPS	Response rate	78%	83%		
Employees	Workplace	Percentage of monthly active users	81%	75%		
Strategic partners / suppliers	Annual consultation with stakeholders	Declared level of trust	87%	87%		
	General Shareholders' Meeting	Number of shareholders attending	69 (Telematic)	82		
Ohamah alidama amid		Meetings with minority shareholders	25 ⁴	104 ⁵		
Shareholders and institutional		Roadshows (institutional investors)	13	11		
investors	Engagement activities	Conferences (institutional investors)	18	12		
		Minority shareholders	7,000 14			
		Institutional investors	600	725		
	Reputation	Number of RepTrak interviews conducted	22,166	49,270		
Society	Social media	Millions of followers of @Telefonica's exclusive accounts (LinkedIn, Twitter, Facebook, Instagram, YouTube and TikTok)	2.1	2.4		
_		Average number of meetings:	Average OTTs: 14,4	Average OTTs: 14		
Government entities and regulators	Meetings with EU institutions	OTTs Telecoms	Average Telecoms: 10,8	Average Telecoms: 11		
Opinion leaders, the media and communication services Press releases, interviews, invitations and responses to the media Opinion leaders, interviews, invitations and responses to the media		31,063	35,713			

² Telefónica Spain customers who contact us through the website and the APP after "logging in".

³ Daily surveys conducted on our customers in Spain, Brazil and Germany, in which they are asked about their overall experience with Telefónica. Among other aspects, they are asked about the ease with which our customers can get things done via our contact channels (Customer Effort Score).

4 virtual meetings and 19 telematic communications (quarterly magazine, monthly newsletter, communications, Shareholders' Meeting and information call

centre).

4 virtual meetings and 100 telematic communications to shareholders (quarterly magazine, monthly newsletter, communications, Shareholders' Meeting).



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.5. Strategy

GRI 2-22

KEY POINTS



Telefónica continues to strengthen its strategy, building on the five strategic decisions made in November 2019.



We continue to prioritise sustainability as a core part of our strategy, focusing on growth, efficiency and long-term value creation.



Telefónica generates sustainable, long-term value for all the Company's stakeholders, including our customers, suppliers and employees.

1.5.1. Commitment to strategic decisions developed in November 2019

Telefónica's strategy has helped accelerate the Group's transformation and has enabled us to build a stronger company. We are in a privileged position to meet the challenges posed by the environment, and increase our positive impact.

After analysing our progress, the current situation and the expectations of our stakeholders, we reconfirmed the five decisions made in 2019, reinforcing the following commitments:

- Maintain focus on our main domestic operators, enabling us to scale up sufficiently to compete, sustain leadership and grow profitably. In these countries, Telefónica has actively participated in the reshaping of the markets and capitalised on existing opportunities for industry consolidation.
- Strengthen our growth unit in the B2B arena.
 Telefónica Tech has become a leader in advanced solutions (cloud, cybersecurity, IoT, big data) and professional services to support our customers in the digitalisation of their businesses.
- Make the value of our infrastructure more visible and support our OBs in their fibre deployments, with the development of **Telefónica Infra**.

- Return to profitable growth in Telefónica Latin America, through differentiated management, the regional operation of our businesses and financial sustainability across our portfolio.
- Strengthen the **Group's** role in adding greater value to our businesses, including moving towards the APIfication of our platforms, developing new tiered connectivity models and securing the necessary talent to ensure the implementation of our initiatives.

1.5.2. Sustainability integrated into Telefónica's strategy (growth, efficiency and long-term value creation)

Telefónica integrates the main aspects of sustainability into its strategy, which is based on our Responsible Business Principles. These ESG commitments translate into growth, efficiency and long-term value creation for the Group.

a. Growth:

In terms of social impact, we aim to ensure the universality of our connectivity services, extending their availability (mainly broadband) to new geographical locations and population segments that have traditionally been excluded (e.g. rural broadband).



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

In addition, Telefónica remains committed to the safe and responsible use of technology by our customers, including access to cybersecurity solutions and ensuring privacy.

b. Efficiency:

Long-term sustainability involves continuous improvement in our operations both internally and with customers. This helps us become an increasingly efficient operator, taking advantage of the digitalisation of all business processes to generate greater value:

The deployment of new state-of-the-art networks allows us to obtain much lower costs per unit of traffic. In addition, ultra-broadband networks (fibre, 5G, etc.) provide efficiencies in terms of energy consumption and therefore have a clear impact on the company's net zero emissions targets.

At Telefónica, we also aim to optimise the use of our assets, generating a greater return on investment. This aspect includes reducing energy consumption, focusing on renewable sources of energy, and increasing the circularity of our processes and the reuse of customer equipment (routers, mobile devices, etc.).

c. Long-term value creation:

Telefónica has integrated its sustainability commitments into the Group's long-term management. Putting ESG at the core of the strategy enhances external credibility, including:

Governance of the Company, from the Board of Directors to the various management bodies (including independence, diversity, implementation of codes of conduct, respect for minority shareholder rights, etc.).

Transparency in management and compliance with (legal and voluntary) reporting obligations on key ESG indicators. In addition, Telefónica's staff remuneration has been aligned with the Company's strategic targets.

A commitment to more sustainable finances, maintaining the Group's main standards as Investment Grade. This includes the creation of new financial instruments linked to sustainability targets and projects.

Showing consistent progress with our targets

Environment



	2021	2022	Targets	Progress			
Main target: Net Zero by 2040 (SBTi validated)							
Scope 1+2 % emissions reduced since 2015	70%	80%	> 80% by 2030	100%			
Scope 3 % emissions reduced since 2016	27%	32%	> 56% by 2030	57%			
Renewable electricity % in own facilities	79%	82%	> 100% renewables by 2030	82%			



1. Strategy and growth model

- 2. Non-financial Information statement
 3. Risks

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

Social



	2021	2022		Targets	Progress
Rural connectivity % mobile broadband coverage	>77%	>80%	>	>90% mobile rural connectivity in main markets by 2024 ¹	89%
Women directors % women directors	29.5%	31.3% ²	>	33% women directors by 2024	95%
Pay gap % adjusted gender pay gap	1.18%	0.74%	>	Zero (+/-1%) adjusted gender pay gap by 2024	100%

Governance



A FATTLE FOR SA	2021	2022		Targets	Progress
Potential high-risk suppliers % externally assessed on sustainability	71%	72%	>	100% of potential high-risk suppliers externally assessed on sustainability by 2024	72%
Corruption Number of confirmed cases of corruption	0	0	>	Zero tolerance of corruption	100%
Board diversity % female on the Board of Directors	33.3%	33.3%	>	Moving towards parity in top governing bodies by 2030 ³	83%

Brazil, Germany and Spain.

² 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%.

Parity defined as not less than 40% of each gender. Progress is associated with Telefónica SA's Board.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.5.3. We are committed to creating value for all our stakeholders

Over the long term, at Telefónica we are committed to generating value for all our stakeholders. This concept is built on trust and commitment in areas such as customer relations, suppliers, diversity, business ethics, network security, responsible use of technology and, in general, sound corporate governance:

- We want to strengthen our customer relations through responsible, trust-building practices and conduct.
- Beyond our own long-term targets, at Telefónica we aspire to have our **network of suppliers** commit to the same responsible principles, creating a more sustainable environment in the telecommunications sector.
- At Telefónica, we also recognise the value for our employees in facilitating a workplace that respects diversity and allows for personal and professional development. In order to facilitate a work-life balance and take advantage of new technologies, we have developed and implemented new remote working models across the organisation. We work to train all our employees in new work tools and technologies and to attract new digital talent.
- We transmit confidence to our investors by meeting their key demands, delivering on our commitments and providing solid returns.
- We contribute to the economic and social development of the **communities** where we operate in a way that is closely linked to the Sustainable Development Goals.

We benefit all our stakeholders





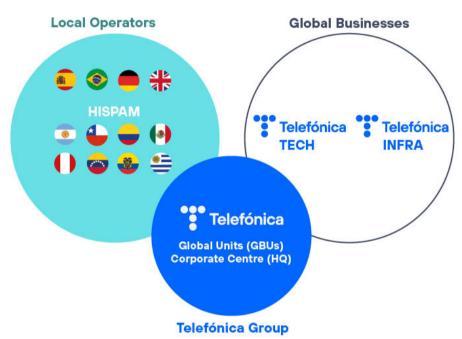
1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.6. Organisation

GRI 2-6, 3-3

Telefónica's organisation



Telefónica Group's organisational structure reflects the needs of each of its businesses in order to best serve both our residential and business customers with traditional connectivity services and an increasing number of advanced digital services that the Group is developing. We outline our principle organisations below:

1.6.1. Domestic telecommunications operators

Telecommunications businesses operate relatively autonomously, deploying infrastructure and serving their customers within their given territories:

- Telefónica Spain (100% owned by Telefónica, not individually listed): Spanish convergent operator, domestic network leader and leader in all customer segments (individuals, households, corporate and wholesale), with over 40 million connections.
- Telefónica Brazil (74.8% owned by Telefónica, a company listed on the Brazilian Stock Exchange): leading convergent operator in Brazil, where it operates a network with over 110 million customer accesses.
 Regional leader in fibre-to-the-home (FTTH) deployment, with over 22 million homes reached.

- Telefónica Deutschland (70.58% owned by Telefónica, a company listed on the Frankfurt Stock Exchange): one of the leading mobile operators in Germany, where it operates mainly under the O2 brand and has over 50 million accesses.
- Virgin Media O2 UK (VMED O2) (50% joint venture with Virgin Media, not listed): leading domestic convergent operator after the largest provider. Created from the merger of Liberty Media's fixed assets and O2 UK's mobile assets. It currently manages over 50 million total accesses (fixed, mobile and TV) and operates a cable network of more than 16 million homes reached (in the process of transformation to fibre).
- Telefónica Hispam: groups together Telefónica's businesses in eight Latin American countries (Argentina, Chile, Peru, Colombia, Mexico, Ecuador, Venezuela and Uruguay), with over 110 million customer accesses.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.6.2. Global businesses

In November 2019, Telefónica changed its business strategy, making five key decisions for the Company's future development. These included the creation of two independent global businesses, with the aim of accelerating growth and maximising the value of our infrastructure.

Telefónica Tech: unit dedicated to the development of cloud services, cybersecurity, IoT and big data, with a focus on the B2B segment. Since its creation,
 Telefónica Tech has become the Group (with double-digit growth, outperforming the market year after year).
 This growth has been achieved organically and by acquiring businesses that complement our capabilities.
 Telefónica Tech operates both in the markets where the Group is present and outside them, thanks to a diversified team of approximately 6,000 professionals representing over 60 different nationalities, all of whom are highly qualified.

Telefónica Tech has developed a portfolio of over 100 products and services, 58% of which have been certified as sustainable under the Eco Smart label, encompassing cybersecurity, the cloud, Internet of Things (IoT), big data, artificial intelligence (AI) and blockchain.

Telefónica AI of Things Tech is at the forefront of **IoT** solutions, complementing them with advanced platforms and Artificial Intelligence (AI). We help customers to optimise the use of production resources in various sectors.

Telefónica Cyber and Cloud Tech combines the potential of cybersecurity and cloud technologies and solutions. As

a result, we are a global leader in cloud communications and managed security solutions, with end-to-end consulting and managed services.

Within **Cloud** services, Telefónica Tech is developing a **hybrid multi-cloud** model, which includes solutions in the private and public cloud. Telefónica Tech builds partnerships with the major providers and industry leaders to integrate and migrate the main business applications (PaaS, or Platform as a Service) to the cloud.

Cybersecurity is of paramount importance to Telefónica: we have made security an integral part of all our solutions and increased capabilities to protect the continuity of our business and our customers.

We have over 3,500 certifications, a Digital Operational Centre (DOC), and 12 Security Operational Centres (SOCs) across Europe and America, from where we monitor potential threats and take preventive and corrective measures.

Key Security Services Indicators

	2022
Total number of external audits on Product and Service Security (Telefónica Tech)	13
Number of Digital Operational Centres (DOCs)	1
Number of Security Operation Centres (SOCs)	12



1. Strategy and growth model

- 2. Non-financial Information statement
- 3 Pieke
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Telefónica Telefónica Tech capabilities Tech

~6,000 professionals

>3.500 certifications

in third-party technologies

highly qualified

diversified team >300 partnerships

60 nationalities

with key industry leaders

>300K devices

located in Europe

~80% resources

monitored, supervised and secured

1DOC

Digital Operations Centre (DOC)

12 SOCs

Security Operation Centres (SOCs)

>100 Products

58% with the Eco Smart sustainability certificate

Telefónica Tech products and services



Cybersecurity and Cloud

Security

- · Network security and data protection
- · Cloud security and IoT/OT security
- · Employee access management
- · Comprehensive, managed defence across cloud, endpoint, network and IT
- · Detection and response
- · Cyber-threat intelligence and vulnerability management

Cloud

- · Telefónica's Cloud
- · Telefónica's PaaS
- · Telefónica's SaaS
- · Cloud of our partners
- · Enterprise applications

We build trust: At Telefónica Tech, cybersecurity is present throughout our product and service creation process.

We reinvent the digital workplace: Because being digital ensures that customers are more productive and hybrid models attract more talent.

Adopting the cloud: This minimises costs and is a future safeguard for business due to its speed, flexibility and capacity for innovation.

Cutting-edge networks: With which we get the most out of cloud and offer a comprehensive cloud networking and Secure Access Service Edge (SASE) service.

Supporting SMEs: So SMEs can expand their digital business quickly with our comprehensive cloud and cybersecurity services.

Al of Thinks

Al, IoT, big data and blockchain - Data-driven decisions supported by advanced platforms and Al

- · Logistics
- Industry 5.0
- · Transport and mobility management
- · Agriculture and livestock
- · Tourism and leisure

- Telco
- · Banking and insurance
- Health
- · Smart cities and spaces
- · Sports
- Gas

Environmental benefits: Eco Smart services, which reduce energy consumption, water consumption and CO2 emissions, and boost the circular economy.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information



For further information, see chapter 2.3. Circular Economy.

• Telefónica Infra: a global unit dedicated to the management of various Group infrastructure assets. In recent years, Telefónica Infra has managed to unlock the value of Telefónica's assets (for example with the sale of Telxius' mobile towers) and has helped the operating businesses to grow by developing innovative investment models. It currently manages Telxius' submarine cable and is focused on fibre deployment in the main countries where Telefónica operates. To date, Telefónica Infra has announced fibre deployments under a FibreCo model (with external investors) which are operated on a wholesale basis in Germany, Brazil, Spain and in the UK...

1.6.3. Telefónica Group's corporate entities

Following the adoption of the five strategic decisions in 2019, the activities of the corporate units have been realigned towards a more flexible operating model, focusing solely on the activities that add the most value to our businesses.

- Global Business Units (GBUs): these include certain activities (marketing, support for major customers, network design, globally managed platforms, etc.) that add value due to their centralised management.
 - Chief Data Officer (CDO): management of the residential value proposition, the development of digital products and services, customer experience, innovation and partnerships. The area also centralises the development of the data management platforms (Kernel) and the main APIs that allow third parties to integrate our capabilities.

- Chief Technology and Information Officer (CTIO):
 design and development of networks and systems,
 assisting the operational businesses in the selection
 and implementation of technologies, management of
 main suppliers, technology observatory and
 positioning of the Group in terms of the main forums
 and standards.
- Chief Business Solutions Officer (CBSO): value proposition for customers in the business segment, product marketing, business support and design of technical solutions for multinationals, management of global services (roaming and private networks), etc.
- Corporate Centre: development of common activities
 to take advantage of the Group's size, for example, the
 centralised management of purchasing or advertising
 and branding costs, and to generate savings for
 Telefónica. The Corporate Centre also includes legal
 and regulatory compliance units, which together with
 the ESG team guarantee the exemplary management
 of the Company. Lastly, other generic staff units
 required by any large corporation (accounting, finance,
 tax, etc.) are represented here.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.7. Sustainable finance

KEY POINTS



Telefónica continues to lead the sector in sustainable financing, which reached 27% over Telefónica Group's total financing in 2022.¹



We have set a new target for financing linked to sustainability to represent between 30% and 35% over the total in 2024



ESG oriented investment is growing steadily. Over 36% of Telefonica's institutional investors apply strict ESG criteria.²

1.7.1. Context

The need to shift towards a decarbonised and socially fair global economy is embodied today in greater regulatory pressures around ESG matters and an obligation to redirect capital flows in line with a sustainable growth model. Simply complying with the climate and energy targets set by the European Union requires an estimated annual investment of €275 billion between now and 2030³.

The investment community is therefore lending increased weight to **ESG factors** in investment decision-making processes. According to Bloomberg Intelligence, the volume of worldwide ESG assets under management could reach \$50 trillion (USD) by 2025, a third of all managed assets worldwide.

This trend is also being reflected in ESG financing trends in the capital markets. Despite market instability and a rise in interest rates across the board in the year, the total volume of sustainable issuances rose to \$863 billion (USD) in 2022, according to Bloomberg.

The entry into force of the Sustainable Finance Disclosure Regulation (SFDR) as part of the EU Action Plan on Sustainable Finance offers Telefónica an opportunity to highlight our Company's leadership in such fields as decarbonisation and digital inclusion, among others.

This regulation requires detailed information to be reported on various sustainability criteria adopted by investment funds when investing their capital and applies to those funds that promote environmental and social characteristics (Article 8, SFDR) as well as those aimed at sustainable investment (Article 9, SFDR). Telefónica is anticipating requirements by providing the information that these funds need, thereby positioning ourselves as a sustainable investment under the criteria imposed by the regulation.

We have been working for many years on an internal business transformation at Telefónica, which combines environmental and social sustainability with financial sustainability.

One of the results is that we maintain a leading position on sustainable financing in the telecommunications sector, in terms of both the volume and diversification of the instruments we use. Similarly, we continue to explore new ways to expand our financing model based on ESG criteria so that sustainable financing can be one of the main tools for achieving our targets.

Regulation is also a fundamental lever in this context. Since the Taxonomy Regulation came into force, we have made progress in implementing its rules and analysing the technical criteria required to demonstrate the substantial

 $^{^{1}}$ Financing includes balance sheet debt, hybrids and undrawn committed $\,$ credit lines.

² According to data in investors' public filings.

³Source: <u>European Commission.</u>



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

contribution of our activities to the fight against global warming.



For further information, see chapter 1.8. European taxonomy for sustainable activities.

Authorities and supervisory bodies are also currently focusing their attention on the disclosure of climate change impacts in companies' financial statements. Therefore, in 2022, we worked to anticipate future regulatory changes by adapting our report to place a greater emphasis on the effects from global warming on Telefónica's activities. Furthermore, we have included, for the first time in our financial statements, information on the actions and commitments made by Telefónica linked to climate change, such as the power purchase agreements and our energy efficiency projects, among others.



For further information, see Note 29 d) Environmental matters at Consolidated Financial Statements

Nonetheless, our commitment goes beyond mere regulatory compliance, and an increasing number of our projects, agreements and daily operations combine the twin pillars of sustainability and finance.

Environmental and social criteria are an integral part of all areas of our business. Our commitment translates into a series of initiatives that consider ESG issues in decisionmaking processes on internal or third-party investment projects. In this regard, we are defining mechanisms to implement an internal carbon price that will help us prioritise those investment projects that are better aligned with our path towards net-zero emissions. Furthermore, we are working with the Inter-American Development Bank on an initiative to promote inclusive digital transformation in Latin American and Caribbean countries; we are actively collaborating in the development of digitalisation and sustainability proposals to respond to the requirements of NextGenerationEU funds; and we are working on the holistic integration of ESG criteria into M&A operations.

Telefónica also has an independent asset manager (Fonditel) that is responsible for the pension plan of Telefónica employees, as well as for the commercialisation of other pension plans and investment funds, based on sustainability criteria.

1.7.2. Sustainable finance strategy

At Telefónica, we seek to strengthen our leadership in the field of sustainable finance so that we can meet our commitments to society and the planet. To achieve this, we have a strategy that enables us to:

- Use debt as a financial instrument to support the sustainability strategy of the business; and
- Proactively position Telefónica to attract investors that promote investment strategies and styles that are in line with ESG criteria, according to emerging regulation.

Furthermore, **sustainable finance** offers us new opportunities for interaction with our partners and investors so:

- We can listen to their expectations and therefore consider them in our long-term decision-making processes.
- At the same time, this dialogue gives us the opportunity to keep them informed about our sustainability challenges and opportunities.
- Financial instruments leveraged on ESG criteria, such as bonds, hybrid instruments and bank financing, give us the **opportunity** to analyse a new market demand, improve profitability and attract new business opportunities, highlighting our role as a key partner on the road to the **decarbonisation** of many activities.

1.7.3. Sustainable and Responsible Investment (SRI)

Our ability to **attract sustainable and responsible capital** reflects the impact and positive perception from investors and analysts of Telefónica's activity. ESG criteria are an increasingly important factor in decision-making processes for investors, analysts, proxy advisers and financial markets participants.

This issue has become even more relevant since the entry into force of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). This regulation establishes reporting obligations for financial market participants and advisors regarding the disclosure of information on how they integrate sustainability-related risks in their investment policies.

The regulation has some indirect sustainable management-related repercussions on the companies in which actors in the financial market choose to invest. This presents Telefónica with the opportunity to highlight its sustainability performance, as well as to assess the **alignment of the Company's priorities** with those of investors.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Fonditel

Fonditel is Telefonica Group's independent Asset Manager and has over 30 years of experience in managing pension funds and investment funds tailored to the risk profile of its clients.

As a part of its commitment to a Sustainable and Responsible Investment (SRI) purpose, Fonditel became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in 2022. This new milestone represents another step in Fonditel's SRI strategy and completes the journey begun in 2018, when Telefónica Employees' Pension Plan joined the global network of UNPRI signatories. Since then, the six Principles have become, together with the Sustainable Development Goals (SDGs), the cornerstones of Fonditel's SRI philosophy, thus contributing to the development of a more sustainable global financial system.

Fonditel is convinced that the combination of financial and extra-financial criteria provides a more complete view of the assets in which it invests, mitigating the sources of risk in its portfolios and enhancing long-term returns. In short, helping to make better informed investment decisions.

Over the past few years, Fonditel has made progress in defining the investment themes aligned with the SDGs that are priorities for its stakeholders. The objective is to find investments that combine long-term economic sense and commitment to the SDGs, seeking to ensure that its investments not only offer attractive financial returns, but also make a positive contribution to the environment and society. Fonditel has two products classified as art. 8 under SFDR (Fondo de Pensiones de Empleados de Telefónica de España and Fonditel Bolsa Mundial Sostenible FI).

> Progress in 2022

Sustainable and Responsible Investment (SRI)

The presence of investors among the Telefónica shareholders, who, among other criteria, consider the Company's performance on environmental, social and good governance issues and take them into account for their investment strategies, is a highly useful indicator. It confirms the growing importance of ESG factors in investment processes and the alignment of our sustainability strategy and performance with the expectations of these investors.

This indicator demonstrates the proportion of Telefónica shares included in two main categories of ESG investors: institutional investors with advanced ESG integration processes; and ESG thematic funds (investment funds focused on climate change solutions, ethical funds, etc.).

According to the latest analysis conducted by a third party, the percentage of Telefónica shares managed by institutional investors that follow ESG criteria has increased year after year since 2017.

The EU Taxonomy Regulation for sustainable activities came into force on 12 July 2020. It is an ambitious programme that seeks to prevent the risk of greenwashing on the one hand, and to increase investment in activities that contribute positively to priorities defined by the European Union from a sustainability perspective on the other, including climate change mitigation and adaptation. In this regard, we are working on three fronts:

- 1. Telefónica is disclosing data on the alignment of its activities with the taxonomy for the 2022 financial year, following the initial eligibility analysis published previously for 2021.
- 2. Furthermore, with the entry into force of information disclosure provisions for investment funds subject to the SFDR, Telefónica is also making information available for the first time on its Principal Adverse Impacts (PAIs), including the set of key indicators that investors are required to monitor periodically vis-à-vis their investment positions. In this way, we seek to make reporting tasks easier for those investors with a sustainable mandate subject to this new regulation. This mainly affects those funds that promote environmental and social characteristics (Article 8, SFDR) and those who target making sustainable investments (Article 9, SFDR). A table is therefore included in the Annex to this report with the mandatory and optional indicators on PAIs for investors to consult as they wish.
- 3. Our Company has decided to go even further in its analysis by complementing this information disclosure with a detailed study of our impacts in the field of sustainability from the perspective of the Sustainable Development Goals (SDGs). This study was published in 2022 and quantifies our social and environmental impact.

Another fundamental pillar of the ESG investment strategy is our proactive communication with financial markets participants, such as institutional investors, analysts and ESG information providers.

Our constant dialogue with these actors is aimed at aligning expectations on their need for sustainability-related information. This task is particularly relevant given their varied set of criteria and weightings used when assessing our performance.

This proactive communication creates a virtuous circle of ongoing improvement while strengthening our leadership in sustainability and is ultimately reflected in the ratings obtained by our Company and our inclusion on benchmark ESG indices, such as the S&P Dow Jones Sustainability Index.



For further information, see chapter 1.9 Main indicators and footprint

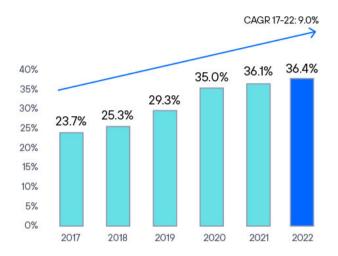


1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Percentage of shares that integrate ESG criteria

Of the total managed by institutional investors in Telefónica⁴



This study was completed using data at 31 December 2022 by analysing the ownership of managed shares in Telefónica by institutional investors under ESG criteria according to public information and the methodology developed by external consultants.

This methodology is based on criteria focused on the effective integration of ESG issues in portfolio management by institutional investors according to established ESG principles and their policies on dialogue with investee companies in line with said criteria.

By the end of 2022, this percentage had reached 36.4%, measured on the publicly-disclosed total number of Telefónica shares managed by institutional investors.

The elevated financial market volatility during 2022 resulted in slower growth by sustainable investment funds invested in equities. This context reaffirms the importance of communicating our ESG strategy effectively given its increasing relevance for the financial markets. In addition, it enables us, as a Company, to differentiate ourselves from our peers based on the positive market perceptions of our sustainability progress and disclosures.

In the long term, this market is expected to continue burgeoning, and new European regulation is expected to stimulate a flourishing environment for sustainable investment funds.

This highlights the importance of good sustainability performance and reporting, so that we can continue to harness the growth opportunity in this market and thereby increase the presence of ESG investors in Telefónica.

⁴ Source of public information on the ownership of shares in Telefónica by institutional investors according to FactSet. Analysis by Leaders Arena of the percentage of investment based on ESG criteria.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.7.4. Financing tools

Sustainable financing is a **fundamental tool** for supporting the transformation of our business through

investment in projects with a positive environmental and social impact.

History of sustainable debt issuances



In 2018, our Company published its sustainable financing framework. This was updated in January 2021 and, in both cases, was endorsed by a second party opinion from Sustainalytics. The framework is linked to the United Nations Sustainable Development Goals and aligned with the International Capital Market Association (ICMA) Green Bond, Social Bond and Sustainable Bond Principles.



For further information on sustainable financing, visit the website at Telefónica/shareholders-investors/rating/ Sustainable financing framework.

It should be pointed out that we were the **industry's first issuer of senior green bonds and hybrid instruments (green and sustainable).** The funds that were obtained have been allocated to environmental projects focused on switching our network from copper to fibre, which is more efficient and suffers fewer faults; the rollout and improvement of mobile connectivity in rural areas; and the promotion of entrepreneurship and job creation through investments in start-ups. We intend to continue harnessing the opportunities offered to us by this financing model.

In addition to green senior bonds and hybrid instruments, we use other sustainable bank financing tools, such as **loans and credits linked to sustainability objectives** that make it possible for us to progress steadily towards such important corporate targets as reducing emissions or gender equality. Also in this case, the main syndicated loan of the Telefónica Group is linked to sustainability criteria in line with the corporate **Sustainability-linked Loan Framework**, which was drawn up in late 2021 with a second opinion from Sustainalytics.

These sustainable financing tools (bonds, hybrid instruments and bank financing) are becoming more and more important in the Group's financing structure and are set to become one of the main tools for financial instruments and private investment flows.

At Telefónica, we play an active role in the development of all necessary legislation by collaborating with sectoral associations and public bodies. We also provide a **technical vision** (thanks to our knowledge of the business) and a strategic vision (thanks to our experience in sustainable finance) to promote transparency and make the ESG impact of our business known to the investor world.

The new taxonomic reporting requirements are addressed in a specific chapter with the corresponding taxonomic eligibility data.



For further information, see chapter 1.8. European taxonomy for sustainable activities.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

> Progress in 2022

In 2022, Telefónica Group's sustainable financing activity (including balance-sheet debt, hybrid instruments and committed credit lines) exceeded 27% of the Company's total financing, positioning the Company as the market leader in the global telecommunications sector in terms of the volume of bond and hybrid instrument issuances.

Capital markets

In 2022, our Company maintained an active presence in the capital markets through numerous issuances. These included its first sustainable senior bond issuance for €1 billion in May with a term of nine years. The proceeds from this issuance will be allocated to environmental projects related to transformation of the telecommunications network via the rollout of fibre optics and 5G technology, as well as social projects aimed at promoting inclusive connectivity, entrepreneurship and job creation.

The Company's second hybrid green instrument issuance took place in November for the value of €750 million, with the first redemption date at six years. In this case, the investment proceeds will aim at the shutdown of obsolete equipment and the transformation of network infrastructure through energy efficiency projects.

Despite the current market instability, both issuances were well received by the market with a broadly international and diversified investor base.

In Brazil, Vivo carried out its first issuance of Sustainability-linked Bonds (SLB), for the aggregated amount of R\$3.5 billion (equivalent to €628 million at closing 2022 exchange rate). Financing costs are linked to meeting sustainability targets between now and 2027. From an environmental perspective, Vivo has committed to reducing direct greenhouse gas emissions (Scope 1) by 40% compared to 2021. In terms of social matters, Vivo has set a target to have at least 30% of leadership positions at the company held by Black persons. The transaction was carried out according to Vivo's Sustainability-linked Financing Framework, drawn up in line with the 2021 Sustainability-linked Bond Principles (SLBP) of the International Capital Market Association (ICMA) and the 2021 Sustainability-linked Loan Principles

(SLLP). The document was also endorsed by a second party opinion from Bureau Veritas.

In January 2023, a new green hybrid bond has been issued for an amount of 1.000 million euros.

Loans and lines linked to sustainability targets In terms of bank financing, the Telefónica Group's main syndicated loan was refinanced at a corporate level in 2022 for the amount of €5,500 million, the interest applied to which will be linked to compliance with sustainability targets. The deal was supported by nearly 30 entities, with an over-subscription of more than 30%.

Committed lines and bilateral financing operations were also carried out during the year with numerous financial entities, obtaining a total volume of €3,864 million at the close of 2022, the interest applied to which is also linked to compliance with sustainability targets.

The first target is linked to climate change mitigation and establishes a commitment to reduce absolute greenhouse gas emissions (Scopes 1 and 2) by 70% by 2025 and by 80% by 2030. These targets are in line with the global ambition to keep the temperature rise below 1.5°C and have been validated by the Science Based Targets initiative (SBTi) within the framework of the netzero emissions target set by Telefónica for the main markets by 2025 and by 2040 for the whole Group and value chain.

The second target is linked to an increase in the number of women directors in the Company to 37% by 2027.

КРІ	Benchmark value	2022
Reduction of Scope 1 and 2 greenhouse gases (%)	(Year 2015) 1.811.155	80 %
Women directors in the Group (%)	(Year 2020) 27,4%	31.3 % ⁵

In Colombia, Telefónica has a loan of \$300 billion COP (equivalent to a €58 million at closing 2022 exchange rate) which we have made sustainable and will be linked to energy efficiency targets.

⁵ 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%.



1. Strategy and growth model

- Non-financial Information statement
 Risks

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

Sustainable issuances: use and impact of funds

ENVIRONMENT			SOCIETY								
	Projects		Projec	ets							
Energy efficiency of network infrastructure	Renewable energy	Digital solutions for the environment	Broadband deployment (mobile broadband) in unconnected areas	Support for employment and entrepreneurship							
	Main topics		Main to	pics							
Deployment of a more efficient network: fibre	Use of more environmentally friendly energy sources	Energy efficiency	Mobile connectivity in rural areas Closing the digital divide	Creation of companies Job creation							
	Impacts ¹		Impacts ²								
2 86% less co	CO ₂ avoided MWh of energy save nsumption of energy, fixed network in Spai	/traffic	+4,600 average number of rural areas benefiting annually from mobile broadband deployment and upgrades +12,400 average number of users benefiting annually from mobile broadband deployment and upgrades	97 companies receiving investment through Open Innovation 970 jobs created							

Data referred to:

1 Cumulative environmental impacts for first 4 issuances: €1bn inaugural green bond (2019); €500m green hybrid (2020); €1bn sustainable hybrid (2021); €750m sustain 2 Figures have been calculated as an average for the period 2019-2022. The impact for 2022 only considers the first half of the year.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3 Pieke
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.8. European taxonomy for sustainable activities

KEY POINTS



The ICT sector is one of the six sectors listed in the taxonomy because of its contribution to climate mitigation and adaptation.



In 2022, the alignment of the company's taxonomic activities is reported for the first time, along with eligibility, which was already reported in 2021



The European Commission's draft of frequently asked questions (FAQs) of 19 December 2022 almost completely limits the relevance of the telco sector in the EU Taxonomy as a facilitator of the decarbonisation of the economy

1.8.1. Regulatory background

Regulation (EU) 2020/852 paved the way for establishing a regulatory framework for an economic activity to be categorised as sustainable: the EU **Taxonomy**. This framework arose in the context of the Action plan on financing sustainable growth and the **European Green Deal** with the objective of promoting the required investments to achieve a circular, competitive and climate-neutral economy by 2050. The EU Taxonomy aims to establish a common language to identify sustainable activities consistently throughout the European Union.

The development of this regulatory framework is in process, having published three delegated regulations¹ that complement Regulation (EU) 2020/852 in relation to climate change mitigation and adaptation. Another delegated regulation has yet to be published that will outline the technical screening criteria for the final four environmental objectives (the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and

control; and the protection and restoration of biodiversity and ecosystems). Against this backdrop, the European Commission has also published several communications on the interpretation of the legal provisions included in those delegated regulations in a bid to reduce the uncertainty related to this complex and novel regulatory framework and its application.

In 2021, in line with the requirements of the regulatory framework in force, Telefónica disclosed the proportion of its revenues, capital expenditure and operating expenditure derived from its Taxonomy-eligible **activities**² (i.e. from activities covered by the Taxonomy due to their potential to make a substantial contribution to climate change mitigation and climate change adaptation). In the second year of application of the EU Taxonomy, non-financial undertakings must report the proportion associated with Taxonomy-aligned

Delegated Regulation (EU) 2021/2139 (climate); Delegated Regulation (EU) 2021/2178 (disclosure); Delegated Regulation (EU) 2022/1214 (complementary to the climate regulation).

 $^{^2}$ An economic activity is considered as Taxonomy-eligible if it is described in the related Delegated Regulation.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

activities³ of the same three key performance indicators (KPIs) in addition to material information on their accounting policy, compliance with the EU Taxonomy regulation and contextual information about those KPIs.

1.8.2. Scope of the report

The scope of application of the EU Taxonomy Regulation consists of the **activity of Telefónica**, **S.A. and all Group subsidiaries** (fully consolidated companies).

Telefónica offers **connectivity solutions and digital services** that connect people by deploying environmentally and sustainably efficient telecommunication networks.

Sustainability is embedded into Telefónica's strategy to the extent that:

- Telefónica is aligned with global goals to reverse climate change, keeping its commitment to reducing its total Scope 1 and 2 emissions by 80% by 2030 and achieving net-zero emissions by 2040, according to the Net-Zero Standard. These objectives are validated by the SBTi.
- It deploys state-of-the-art networks (optic fibre, 5G) that are much more efficient than their forerunners (e.g., 85% in the case of fibre compared to copper and 90% for 5G compared to 4G) in terms of energy consumption and, therefore, their environmental footprint.
- Telefónica also strives to be a key supplier that helps its customers reduce their climate impact, avoiding 81.7 million tonnes of CO₂ emissions by our customers in 2022.
- The company promotes the transition to a more sustainable circular economy based on eco-design, re-use and recycling (98% of its waste was recycled in 2022) as part of its goal of becoming a Zero Waste company.



For further information see chapter 2.2 Energy and climate change

Telefónica carries out its business based on **digitalisation**, offering connectivity solutions using the most efficient technologies available on the market (e.g., fibre and 5G) and promoting services such as cloud, the *Internet of Things (IoT)*, big data and e-Health. In this vein, in addition to its operators in each country, Telefónica has two large subsidiaries:

- Telefónica Tech, a potential source of value due to its fast-growing B2B digital services and leader towards an inclusive digital transition.
- Telefónica Infra, manager of the portfolio of FTTH vehicles, data centres and submarine cable investments. The subsidiary has the leading portfolio of FibreCos that bring connectivity to the most underserved areas.

Network leadership evolution brings an opportunity for our industry by building up the **concept of Network as a Service** (NaaS). On this front, Telefónica is working internally and in collaboration with the industry (GSMA) to expose our telco capabilities to third parties so that more efficient technologies can be developed and to become enablers of new and more advanced services.

The **digital services** Telefónica offers can be tailored to the needs of all kinds of customers. They are not only aimed at make the use of technology easier in their daily lives, but also to benefit the environment by reducing emissions when using these services through the Group's infrastructure.

1.8.3. Vision and scope of the taxonomy

Telefónica, along with the rest of the ICT sector, is covered by the taxonomy for its **climate change mitigation potential**. According to **ETNO and BCG⁴**, the sector has the potential to reduce global CO₂ emissions by as much as 15% resulting from full digitalisation (including smart cities and buildings, transportation, industry IoT, blockchain applications, and energy). Other **studies** such as the *Exponential Roadmap*⁵ indicate that digital technologies can indirectly support a further reduction of up to 35% considering criteria like changing consumption habits over the coming years.

Application of the current regulatory framework leads to **uncertainty and doubts regarding interpretation** in the market. Essentially, this stems from the difficult articulating a common language for all European sectors and geographies in the highly diverse and complex field of sustainability.

In the ICT sector, the main issues surrounding interpretation are related to its consideration as an enabling activity. In other words, an activity with the potential to enable a reduction of emissions for third-party **telecommunication network** activities. Networks understood as connectivity solutions developed for data transmission, storage and use that can reduce greenhouse gas emissions would help enable decarbonization of third parties. Telecommunications networks are the only technology specifically described in

³ An eligible activity is considered as Taxonomy-aligned when it has been assessed to comply with the specific technical screening criteria (substantial contribution to one of the environmental objectives and do no significant harm) for each activity and meets the minimum safeguards.

⁴ Connectivity & Beyond How Telcos Can Accelerate a Digital Future for All. ETNO and Boston Consulting Group. March 2021.

⁵ Exponential roadmap. Scaling 36 solutions to halve emissions by 2030. Version 1.5.1. January 2020



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

the Delegated Regulation (e.g. 5G) that support data transmission.

Telefónica uses the definition provided by the International Telecommunications Union (ITU) in its recommendation ITU-L.1480 (12/2022)⁶ for **ICT solutions:** "A system encompassing ICT goods, ICT networks and/or ICT services that contributes to meeting a technical, societal or business challenge.". Therefore, according to this body, telecommunications networks are inherently ICT solutions.

However, the draft commission notice on frequently asked questions (FAQs) published by the European Commission on 19 December 2022' restricts the classification of telecommunications networks to activity 8.2. The purpose of this document, which has yet to be published in the OJEU⁸, aims to clarify the content of the delegated act, though it is not a binding regulation, but it is a 'communication'. With this in mind, Telefónica's reporting took into account the FAQs in the draft to adapt how it calculates KPIs in this report. This adaptation was performed over a short period of time since the date of publication of the draft was close to the end of the reporting period. The publication of the final version of FAQs, or future possible additional clarifications by the regulator and the legislator could affect the considerations reflected in this report. The following sections set out the criteria used by

Telefónica based on the current situation. In other words, considering the FAQs published in the draft notice of 19th December 2022 and not the Company's previous interpretation.

1.8.4. Methodology and results

1.8.4.1. Understanding the taxonomy requirements

According to article 8 of **Regulation (EU) 2020/852**, non-financial undertakings subject to application of the EU taxonomy must disclose, as provided for in Annex I of Delegated Regulation (EU) 2021/2178, the following information:

- The proportion of their turnover derived from Taxonomy-eligible and Taxonomy-aligned activities
- The proportion of their capital expenditure (CapEx) derived from Taxonomy-eligible and Taxonomy-aligned activities
- The proportion of their operating expenditure (OpEx) derived from Taxonomy-eligible and Taxonomy-aligned activities

- Explanatory information accompanying the relevant KPIs:
 - Accounting policy.
 - Assessment of compliance with Regulation (EU) 2020/852.
 - Contextual information.

The regulation also specifies that qualitative explanations and quantitative breakdowns must be provided in the event of any change in the approach and methodology used previously along with comparative figures and sufficient information to be able to trace the trend of the data provided.

For the **Taxonomy-eligibility and Taxonomy- alignment assessment**, Telefónica used the following methodological approach to quantify its contribution to the climate change mitigation and climate change adaptation objectives established by the EU Taxonomy:

- Assessment of Taxonomy eligibility of the Company's activities (analysis of the accounting items relating to the three KPIs based on the description of activities provided in Annexes I and II to Delegated Regulation (EU) 2021/2139);
- Assessment of the technical screening criteria for substantial contribution laid down in Delegated Regulation (EU) 2021/2139;
- Assessment of the criteria for 'do no significant harm' to the other environmental objectives (DNSH) provided in that Delegated Regulation;
- 4. Assessment of compliance with **social minimum safeguards** according to:
 - Platform report on Social Minimum Safeguards.
 - OECD Guidelines for Multinational Enterprises.
 - United Nations Guiding Principles on Business and Human Rights (including the principles and rights included in the International Labour Organization's eight core conventions as set out in the Declaration on Fundamental Principles and Rights at Work and those expressed in the International Bill of Human Rights).

⁶ As included in the document Enabling the Net Zero transition: Assessing how the use of information and communication technology solutions impact greenhouse gas emissions of other sectors.

 $^{^{7}}$ DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the EU (europa.eu).

⁸ Official Journal of the European Union.

 $^{^{9}}$ As indicated in point 1.2.3.1, sections a) and c) of the Delegated Regulation (EU) 2021/2178.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3 Pieke
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

5. Calculation of the percentages of each of the three KPIs of Taxonomy-eligible and Taxonomy-aligned economic activities (i.e. that comply with points 2, 3 and publishing activities

Following is a description of the process for calculating the three KPIs, covering also key aspects related to accounting policy, compliance with Regulation (EU) 2020/852 and contextual information to support the adequate understanding of those indicators.

1.8.4.2. General considerations

To carry out the calculation of the revenues, CapEx and OpEx KPIs in accordance with the Regulation, in 2022, Telefónica used as a basis the information corresponding to the various business units, with higher granularity, that contribute to the aggregation of the information at consolidation level for the Group (bottom up).

This enabled it to fine-tune the calculation of the KPIs and restate the figures corresponding reported for previous period to show comparability with the current period.

Data for Telefónica United Kingdom was excluded from the calculation because of the changes in the Group's scope of consolidation.

Intragroup transactions were excluded from the calculations.

Throughout the entire process, due care was taken to avoid double counting:

- a. Reconciliation with accounting information, which ensures appropriate consideration of eliminations and adjustments on consolidation.
- b. Use of consistent information sources, which prevents considering the same item in two different KPIs or twice in the same KPI.
- c. Verification of the completeness and accuracy of the data.

After assessing each of the three indicators, the following were identified as the main Taxonomy-eligible economic activities:

- · Activities that can make a substantial contribution to climate change mitigation:
 - Activity 8.1. Data processing, hosting and related activities
 - Activity 8.2. Data-driven solutions for GHG emissions reductions
- · Activities that can make a substantial contribution to climate change adaptation:
 - Activity 8.3. Programming and broadcasting activities

- Activity 13.3. Motion picture, video and television programme production, sound recording and music

Furthermore, in accordance with the Regulations. Telefónica identified other secondary activities that. although they are not part of the company's business activity, contribute to the reduction of GHG. The Taxonomy Regulation identifies these actions as individual measures that are mainly related to energy efficiency and sustainable mobility.

These activities are:

- Activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
- Activity 7.3. Installation, maintenance and repair of energy efficiency equipment
- Activity 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- Activity 7.7. Acquisition and ownership of buildings

The following aspects must be considered for a better understanding of the information reported for 2022 financial year and comparison with the 2021 financial year: the context of the previous year's report, the complexity of the interpretation and application of the regulatory framework and the lack of a clarifying formal legal document.

In this context, Telefónica opted in 2021 to report, in the eligibility exercise, a minimum and maximum percentage of eligibility of its economic activities, to provide greater transparency in the assessment performed. The difference between the two numbers is due to the consideration of telecommunications networks as connectivity solutions, which depend on the interpretation of the description of activity 8.2. The minimum value reported in the calculation of the three KPIs (revenues, CapEx and OpEx) only factors in the development or use of digital services, without including the telecommunications network required for data transmission. The **maximum value** included, in addition to the data transmission phase, the use of technologies such as fibre or 5G.

Both interpretations arose from the complexity in applying the regulatory framework, mostly because there is a certain level of ambiguity in the items and descriptions of the activity and the technical screening criteria of Delegated Regulation (EU) 2021/2139. The Platform on Sustainable Finance, in its document published in October 2022 entitled Platform Recommendations on Data and Usability of the EU



Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Telefónica has analysed the various items included in its **revenue model**, enabling it to identify revenue items considered Taxonomy-eligible and then differentiate between those that comply with the technical screening criteria described in the previous section (Taxonomy-aligned items) and those that are not covered by the Taxonomy. Revenues have been classified into the following items:

- Revenues from Taxonomy-eligible and Taxonomyaligned activities (515 million euros) - A.1 in the template: revenue from digital services/solutions linked to the collection, transmission and analysis of data that reduce emissions associated to other activities (activity 8.2).
- Revenues from Taxonomy-eligible and not-Taxonomy-aligned revenues (3,153 million euros) -A.2: revenues derived from the production, programming and broadcast of video and television content not strictly aimed at increasing the level of resilience to third-party physical climate risks (2,448 million euros) (activities 8.3/13.3) and revenues derived from cloud services provided to users over Internet, allowing user data to be stored in data centres (705 million euros) (activity 8.1).
- Revenues derived from Taxonomy-non-eligible activities (36,325 million euros) B: revenues derived from connectivity solutions through state-of-the-art data transmission networks¹² (10,579 million euros) and rest of networks¹³ (6,163 million euros) and revenue from voice services, handset sales and digital services/solutions that do not reduce emissions associated with other activities

Disclosures on turnover for 2022 below are based on the template included in Annex II of Delegated Regulation (EU) 2021/2178 (the Disclosure Delegated Act):

Taxonomy¹⁰, proposed providing more technical guidance on compliance with criteria for substantial contribution and DNSH (Do no significant harm) regarding activity 8.2, among others.

However, as there is no formally approved explanatory document, the interpretation provided in the draft of **FAQs** of December 2022 takes an approach that focuses exclusively on the substantial contribution of digital services to climate change mitigation and not the full **potential of telecommunications networks** as connectivity solutions, with the following **exceptions:**

- Additions to network infrastructure (public)
 required in the context of supporting the connectivity
 needs for a digital service that are developed with the
 predominant purpose to reduce emissions.
- Proportional share of networks deployed and used in the specific geographic location of a digital service developed with the predominant purpose to reduce emissions.
- Digital solutions applied to networks to enhance efficiency.

The first two considerations would imply an assumption that **telecommunications networks** can be treated as divisible and independent fragments as if they were designed for a specific solution with the ability to transmit data autonomously from one end to another. In practices, this assumption would not be valid in most cases, since generally network components are indivisible and shared in all services provided by Telefónica.

1.8.4.3 Percentage of turnover derived from Taxonomy-eligible and Taxonomy-aligned activities

This KPI shows the relative weight of turnover derived from products or services associated with economic activities covered by the Taxonomy over total turnover¹¹. For the economic activities to be Taxonomy-aligned, they must also meet the related technical screening criteria.

 $^{^{\}rm 10}$ Platform Recommendations on Data and Usability. October 2022.

¹¹ See Note 26 to the Consolidated Financial Statements.

Fibre fixed network, 4G and 5G mobile networks.

Mainly copper fixed network, 2G and 3G mobile networks.



• 1. Strategy and growth model

- 2. Non-financial Information statement
- Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Proportion of turnover derived from products or services associated with Taxonomy-aligned economic activities – disclosure covering financial year 2022

				Su	ıbstant	tial con	tributi	on crit	eria	DNS	SH Crite	ria ('Do	es Not	Signific	antly Ha	arm')				
Economic activities	Codes	Absolute turnover	Proportion of turnover	Climate Change Mitigation	Climate Change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate Change mitigation	Climate Change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Taxonomy-aligned proportion of turnover, year N-1	Category (enabling activity)	Category (transition activity)
		€M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Е	Т
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Data-driven solutions for GHG emissions reductions	8.2	515	1.3	100	NI	Р	Р	Р	Р	NA	Υ	NA	Υ	NA	NA	Υ	1.3	NR	Ε	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		515	1.3														1.3			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
Data processing, hosting and related activities	8.1	705	1.8																	
Programming and broadcasting activities	8.1	1,538	3.8																	
Motion picture, video and television programme production, sound recording and music publishing activities	13.3	910	2.3																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		3,153	7.9																	
Total (A.1 + A.2)		3,668	9.2														1.3			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		36,325	90.8																	
Total (A + B)		39,993	100.0																	

NI: Activity 8.2 is not included within the criteria of Annex II of the Delegated Act on Climate Change.

P: Pending. The detailed technical screening criteria associated with the other four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems) have yet to be published.

NA: Not applicable according to Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021.

NR: No alignment was reported based on legal requirements in the 2021 Consolidated Management Report.

Consolidated Annual Report 2022 Telefónica, S. A. 43



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

As explained previously, information reported on Taxonomy eligibility for the previous year corresponding to activity 8.2 considered a **minimum value** (revenues related to digital services) and a **maximum value** (which also considered the revenue corresponding to connectivity solutions provided by telecommunications networks).

The **minimum value** corresponding to **2022** (A1+A2 in the previous table) of **9.2%** would be comparable to the $9.1\%^{14}$ of the 2021 financial year.

The **maximum value** corresponding to **2022** of **51.0%** would be comparable to the $51.1\%^{15}$ of the 2021 financial year.

1.8.4.4 Percentage of CapEx of Taxonomyeligible and Taxonomy-aligned activities

This indicator shows the proportion of capital expenditure (CapEx) associated with assets or processes associated with economic activities covered by the Taxonomy. For the economic activities to be Taxonomy-aligned, they must also meet the related technical screening criteria.

The denominator includes **additions to property, plant and equipment and intangible assets** (equal to CapEx as defined in the financial information reported by the Group¹⁶). The definition of CapEx associated with the taxonomy also includes additions of **right-of-use assets** recognised in accordance with IFRS 16, as well as additions of property, plant and equipment, intangible assets or right-of-use assets arising from **business combinations**.

Telefónica analysed the various items included in its **CapEx model,** enabling it to classify investments into the following items:

• Investments in Taxonomy-eligible and Taxonomy-aligned activities (50 million euros) - A.1: investments directly and exclusively related to digital services/solutions and some specific measures applied to telecommunications networks that improve their energy efficiency (42 million euros) (activity 8.2). Investments in some energy saving measures on equipment (6 million euros) and buildings (2 million euros) are also included (activities 7.3 and 7.5).

 Investments in Taxonomy-eligible and not Taxonomy-aligned activities (225 million euros) -A.2:

investments related to the production, programming and broadcasting of video and television content not strictly aimed at increasing the level of resilience to third-party physical climate risks (125 million euros) (activities 8.3/13.3) and investments linked to *cloud*

services that are made available to users via Internet, facilitating the storage of user data in *data centers* (38 million euros) (activity 8.1). This item also includes additions related to fleet management (3 million euros) (activity 6.5), the acquisition and ownership of buildings (55 million euros) (activity 7.7), some specific energy saving measures (3 million euros) (activity 7.3) and a specific solution applied to improve the telecommunications network efficiency (2 million euros) (activity 8.2).

• Investments in Taxonomy-non-eligible activities (7,992 million euros) - B: investments associated with next-generation data transmission networks¹⁷ (access, infrastructure, transmission, core and capitalised expenditure related to labour) (4,527 million euros) and other networks¹⁸ (1,120 million euros) as well as other CapEx concepts (non-eligible right-of-use additions, systems, etc.)

Disclosures on CapEx for 2022 provided below are based on the template included in Annex II of Delegated Regulation (EU) 2021/2178 (the Disclosure Delegated Act):

 $^{^{14}}$ Restated value for 2021. The value reported in the 2021 Consolidated Management Report is 9.0%

¹⁵ Restated value for 2021. The value reported in the 2021 Consolidated Management Report is 51.6%.

¹⁶ See <u>Note 6</u> and <u>Note 8</u> to Consolidated Financial Statements.

¹⁷ Fibre fixed network, 4G and 5G mobile networks.

⁸ Mainly copper fixed network, 2G and 3G mobile networks.



• 1. Strategy and growth model

- 2. Non-financial Information statement
- Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Proportion of CapEx derived from products or services associated with Taxonomy-aligned economic activities – disclosure covering financial year 2022

				Sı	ubstani	tial con	tributi	on crite	eria	DNS	SH Crite	eria ('Do	es Not	Signific	antly H	arm')				
Economic activities	Codes	Absolute CapEx	Proportion of CapEx	Climate Change Mitigation	Climate Change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate Change mitigation	Climate Change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year N	Taxonomy-aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transition activity)
		€M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Е	Т
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Installation, maintenance and repair of energy efficiency equipment	7.3	6	0.1	100	0	Р	Р	Р	Р	NA	Υ	NA	S	Υ	NA	Υ	0.1	NR	Е	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	2	0.02	100	0	Р	Р	Р	Р	NA	Υ	NA	S	NA	NA	Υ	0.02	NR	E	
Data-driven solutions for GHG emissions reductions	8.2	42	0.5	100	NI	Р	Р	Р	Р	NA	Υ	NA	Υ	NA	NA	Υ	0.5	NR	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		50	0.6														0.6			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	3	0.04																	
Installation, maintenance and repair of energy efficiency equipment	7.3	3	0.03																	
Acquisition and ownership of buildings	7.7	55	0.7																	
Data processing, hosting and related activities	8.1	38	0.5																	
Data-driven solutions for GHG emissions reductions	8.2	2	0.02																	
Programming and broadcasting activities	8.3	86	1.0																	
Motion picture, video and television programme production, sound recording and music publishing activities	13.3	39	0.5																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		225	2.7																	
Total (A.1 + A.2)		275	3.3														0.6			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		7,992	96.7																	
Total (A + B)		8,266	100.0																	

NI: Activity 8.2 is not included within the criteria of Annex II of the Delegated Act on Climate Change.

Consolidated Annual Report 2022 Telefónica, S. A. 45

P: Pending. The detailed technical screening criteria associated with the other four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems) have yet to be published.

NA: Not applicable according to Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021.

NR: No alignment was reported based on legal requirements in the 2021 Consolidated Management Report.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

As previously explained, the information reported on eligibility in 2021, in relation to activity 8.2, considered a minimum value (which exclusively contemplated the CapEx related to digital services) and a maximum value (which also considered the investments associated with the telecommunications networks, necessary to provide connectivity solutions and data transmission).

The **minimum value** corresponding to **2022** (A1+A2 in the previous table) of **3.3%** would be comparable to 1.8%¹⁹ for the year 2021. The differences with respect to the previous year are mainly explained by the inclusion of: acquisition of buildings (+0.7 p.p.), increase investments in *Cloud* (+0.3 p.p.) and in platforms (+0.3 p.p.) that were identified based on the higher granularity of the information.

The **maximum value** corresponding to **2022** of **71.6%** would be comparable to 68.5%²⁰ for the year 2021. New this year is that the values also considered investments associated with wholesale services and other investments associated with the network that were identified based on the higher granularity of the information.

1.8.4.5 Percentage of OpEx of Taxonomy-eligible and Taxonomy-aligned activities

This indicator shows the **proportion of operating expenditure** (OpEx) **associated with the economic activities covered by the taxonomy.**

The denominator includes **direct non-capitalised costs** related to **short-term leases**, **maintenance and repairs**, and any other direct expenditures relating to the **day-to-day servicing of assets of property, plant and equipment** that are necessary to ensure the continued and effective functioning of such assets.

Telefónica analysed the different items included in its **OpEx model**, obtaining a Taxonomy-eligible result of approximately 0% in 2022, in accordance with the definition of operating expenses contemplated in the Regulation. Non taxonomy-eligible OpEx amounts to **2,833 million euros (B)**.

The **information related to OpEx for the year 2022** is shown below according to the template included in Annex II of the Delegated Regulation (EU) 2021/2178 (the Disclosure Delegated Act):

Restated value of 2021. The value reported in the 2021 Consolidated Management Report is 1.3%.

²⁰ Restated value of 2021. The value reported in the 2021 Consolidated Management Report is 67.6%.



• 1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Proportion of OpEx derived from products or services associated with Taxonomy-aligned economic activities – disclosure covering financial year 2022

				Sul	bstant	ial cont	tributio	on crit	teria	DN	ISH Cr	iteria ('	Does I Harm')		gnificar	itly				
Economic activities	Codes	Absolute OpEx	Proportion of OpEx	Climate Change Mitigation	Climate Change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate Change mitigation	Climate Change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transition activity)
		€M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Е	Т
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
Data-driven solutions for GHG emissions reductions	8.2	0.1	0.004																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		0.1	0.004																	
Total (A.1 + A.2)		0.1	0.004																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		2,833	100.0																	
Total (A + B)		2,833	100.0																	

Consolidated Annual Report 2022 Telefónica, S. A. 47



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

As previously explained, the information reported on eligibility the previous year in relation to operating expenses considered a minimum and a maximum value.

The **minimum value** considered exclusively expenditures related to digital services, which was approximately **0%**, in both 2021 and **2022**.

The **maximum value** considered the OpEX associated with the network technologies that carry out the data transmission. The value of **71.0% corresponding to 2022** would be comparable to the 77.3% included in the 2021 Consolidated Management Report.

1.8.2 Compliance with the technical screening criteria

Each activity identified as Taxonomy eligible is assessed for compliance with the **technical screening criteria** of substantial contribution and "Do no significant harm" as laid down in the Regulation. Compliance with social minimum safeguards at Group level was also verified.

The main actions and measures taken by Telefónica can be summarised as follows:

Substantial contribution to climate change mitigation of activity 8.1:

The substantial contribution to climate change mitigation of data processing, hosting and relative activities requires compliance with two main **technical criteria**:

- Implement all relevant practices listed in the most recent version of the EU Code of Conduct for Energy Efficiency in Data Centres²¹ and third-party assurance at least every three years.
- Use of refrigerants in the data centre cooling system which global warming potential (GWP) do not exceed 675.

In its draft of FAQs, disclosed in December 2022, the European Commission includes certain clarifications about this activity, specifically about the criteria for compliance and verification of compliance with the Code of Conduct. The response states that in early 2023 the Code of Conduct will be completed with an **assessment framework** for external verification of compliance with the practices set out in that Code of Conduct.

Telefónica has participated in the ICT Council's working group, providing feedback on the proposal for establishing this assessment framework to verify compliance with the Code of Conduct in order to make it auditable.

Since the framework is still not available, it is not possible to report alignment with these technical criteria in 2022.

Substantial contribution to climate change mitigation of activity 8.2:

The substantial contribution to climate change mitigation of data-driven solutions is associated with the fulfilment of the following technical screening criteria:

- ICT solutions predominantly used for the provision of data and analytics enabling GHG emission reductions.
- 2.Demonstration through **life cycle analysis** of the substantial GHG emission savings compared to the best performing alternative solution/technology, where an alternative solution/technology is already available on the market.

Regarding **technical criterion one**, the use of solutions to reduce emissions, is demonstrated through a set of studies and methodologies that evaluate, identify, and often quantify the impacts of the digital solutions provided by Telefónica to its customers on the climate.

There are numerous industry studies showing how the use of digital solutions reduce emissions, such as those mentioned above. Example include the GSMA's The Abatement Effect and the GeSI Mobile Carbon Impact both of which provide information on the substantial contribution of avoided emissions from these ICT solutions.

Analysis carried by Telefónica included the following projects:

• Avoided emissions methodology:

Telefónica analysed many of the connectivity and digital solutions that it offers both to customers in the business sector and to private customers that are associated with emission reductions and quantify those reductions.

To adress the technical screening criteria outlined in the Taxonomy, the solutions were grouped into the following categories:

- Solutions for smart cities: IoT solutions for the efficient and sustainable management of cities in various areas, such as public transport, use of energy or water resources, public spaces or communication with its inhabitants.
- Mobility Solutions: IOT solutions aimed at route planning and increasing the efficiency of different modes of transport. The connectivity provided by Telefónica for the operation of this type of solution makes it possible to increase the efficiency of fleet management, and the speed up of management and improve driver behaviour.
- Industry 5.0 Solutions: Considers those IOT connections that aim to quantify how the use of

²¹ https://joint-research-centre.ec.europa.eu/energy-efficiency/energy-efficiency-products/code-conduct-ict/code-conduct-energy-efficiency-data-centres_en



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

specific pieces of equipment within their operating limit affects their energy consumption and subsequently their emissions profile.

- Smart Working Solutions: a set of services that enable people to work remotely, hold audio/video conferencing, e-learning, etc., thereby reducing the amount of GHG emissions generated by travel.
- Energy Efficiency Solutions: a set of services that include telemetry and remote management of energy consumption in offices, factories or corporate buildings with a wide geographical distribution, such as hotels, banks or supermarkets.
- Agricultural management solutions: solutions that enable innovation, digitalisation and data analysis for crops with the aim of optimising resources use.
- E-health solutions: Telefónica's network
 connections facilitate the use of remote medical care
 services, avoiding the need to travel to and from
 medical care centers.



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

· Eco Smart label:

This label is an initiative developed by Telefónica with the aim of identifying the environmental benefits generated by our products and services following implementation in customers e.g. in terms of savings in energy consumption.



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

In relation to the first technical screening criterion, the substantial contribution of solutions applied to the telecommunications network has also been analysed and demonstrated.

• Digital services Life Cycle Assessment (LCA):

Regarding the **second technical criterion**, related to life cycle analysis, this criterion is not considered applicable to the categories of solutions described above, as there is no alternative solution on the market. For example, all solutions based on the *Internet of Things* have as a baseline scenario that the devices are not connected, but there has been no development of intermediate technology.

However, in 2022 and with the aim of analysing the environmental impact of some of its digital services, Telefónica carried out different life cycle analyses to measure the impact in tonnes of CO₂eq of providing these services on both fixed and mobile networks²². These analyses were carried using the ETSI ES 203 199 standard and the results were verified by an independent third

party. It is important to note that when considering the full life cycle of digital solutions, connectivity is the most relevant part in terms of environmental impact, and therefore, the main part for this analysis.

Therefore, Telefónica carried out this LCA to compare the environmental impact of new technologies with legacy technologies. The results of the analysis show that fibre has 18 times less environmental impact than copper, and 4G/5G has seven times less impact than 2G/3G (in terms of PB). This analysis demonstrates the substantial contribution of next-generation connectivity solutions. In 2022, investment in these new telecommunication networks accounted for 54.8% of Telefónica Group's CapEx.

In addition to meeting customer demand for digital services that increase productivity and reduce emissions, Telefónica continues to invest in strengthening its infrastructure and making it one of the most sustainable in the market in terms of energy and GHG emissions. These investments focus on the migration to new fixed and mobile technologies, the use of renewable energy and other energy efficiency measures.

Substantial contribution to climate change adaptation of activity 8.3/13.3:

Telefónica identified the audiovisual content broadcast on its Movistar Plus platform and classified it into two categories in accordance with the Regulation for each activity:

- Own content or acquisition of rights to broadcast programmes (e.g. sports, culture, entertainment, children and/or music programmes) related to the activity 8.3.
- Own content or acquisition of broadcasting rights for cinematographic productions, whether fictional or non-fictional (including films, short films, series and documentaries, etc.) related to the activity 13.3.

²² Connectivity Solutions' Life Cycle Assessment



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

To substantially contribute to climate change adaptation, the Regulation states that activities 8.3 and 13.3 must provide a technology, product, service, information or practice to increase the level of resilience of third parties to physical climate risks.

Telefónica broadcasts content related to the environment and climate change, mainly through the broadcasting of documentaries (activity 13.3). For this activity, it was not possible to fully justify the technical alignment criteria. However, it should be noted that, in Spain alone, the viewing of this content reached a total of almost 6 million hours in 2022, taking into account only Movistar Plus' own channels.

Substantial contribution to climate change mitigation from secondary activities

As mentioned previously, Telefónica also carries out numerous actions related to energy efficiency that contribute to reducing greenhouse gas emissions from its own activity.

The following activities have been considered Taxonomyaligned:

7.3. Installation, maintenance and repair of energy efficiency equipment

The initiatives identified by Telefónica are mainly related to the modernisation of air conditioning and *free-cooling* in buildings. Telefónica includes EER purchase criteria identifying minimum performance, in line with it's energy efficiency strategy. Equipment that meets the minimum criteria of high energy efficiency was considered Taxonomy-aligned.

7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

The initiatives identified by Telefónica correspond to the implementation of electronic devices to improve the energy management of buildings. Therefore, this activity is considered to be aligned with the individual measures listed in activity 7.5.

Do No Significant Harm to climate change adaptation

The 'do not significant harm to climate change adaptation' principle requires the identification and assessment of physical climate risks associated with Telefónica's operations under different climate scenarios. The objective is to identify and apply adaptation solutions that significantly reduce the material risks identified. Risk identification is carried out in accordance with the Group's risk management approach, tailored to the cause underlying the climate risk assessment. For each risk, the probability of occurrence is estimated for each risk, along with the possible impact and economic value, to arrive at an expected level of exposure for each scenario analysed²³.

To this end, Telefónica assessed the physical risk of climate change using climate projections covering both the RCP2.6 (global temperature increase by the end of the century of no more than 2°C) and RCP 8.5 (global temperatures increase by the end of the century of around 4°C) climate scenarios and time horizons up to 2030, 2040 and 2050.

In addition, Telefónica has developed an Adaptation Plan containing, which includes several lines of initiatives aimed at protecting the Company's assets against any extreme weather event (e.g. extreme wind, fires or sea level rise) to reduce its exposure to the main physical risks identified and to adapt to the consequences of climate change.



For further information, see chapter 2.2. Energy and climate change

Do no significant harm to sustainable use and protection of water and marine resources:

Telefónica's water consumption is mainly due to sanitary use, and to a lesser extent to its use in cooling. Aware of this, Telefónica takes several measures to use water more efficiently, especially in areas of high water stress (765 millions of liters in 2022).

Water consumption of data centres is undertaken through a closed cooling system, so there are no discharges to freshwater streams or seawater that could cause harm or have a material adverse impact.

Of the 3,194 millions of liters of water we consumed in 2022, the vast majority was for sanitary uses of the Group's employees..

Do no significant harm to the transition to a circular economy

The maintenance of the network infrastructure is the main source of waste for Telefónica.

With regard to the management of waste at the end of the useful life of electrical and electronic equipment, Telefónica maintains contractual agreements for the collection of waste and verifies that the waste manager is authorised and has adequate control over the waste. In addition, the appropriate documentation is in place to ensure compliance with the directives applicable to the equipment purchased and that are part of the Company's operations.

²³ For climate change, any risk associated with a negative perception of Telefónica's commitments to a low carbon economy or adapting to resource scarcity is considered a material strategic impact.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information



For further information, see chapter 2.3. Circular Economy

Social minimum safeguards

For an economic activity to qualify as environmentally sustainable, it must be carried out in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Telefónica's compliance was assessed taking into account the Platform on Sustainable Finance's Report on Minimum Safeguards published in October 2022.

It is worth noting that, this Platform report was prepared for the sole purpose of guiding the European Commission in establishing formal criteria for assessing social issues, Telefónica considered it a good practice to anticipate potential future regulatory developments and analysed the alignment with social safeguards based on the four areas identified in the report: human rights, corruption, taxation and fair competition.

Telefónica respects and promotes human rights throughout its entire value chain. For this reason, it has a due diligence system in place that includes policies, periodic procedures to assess adverse impacts, management measures to prevent and mitigate identified potential impacts, monitoring and communication procedures, and complaint and remedy mechanisms. Likewise, it also has policies and procedures in place regarding competition, anti-corruption, responsible business, conflicts of interest, and fiscal responsibility, among others, to reinforce the Group's commitment to social rights and sustainable growth.



For further information, see chapter 2.15. Human rights

Based on the issues addressed in the previous sections, Telefónica is implementing all the requirements it needs to comply with the three levels of technical screening criteria associated with the climate change mitigation and adaptation objectives for activities reported by Telefónica.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.9. Main indicators and footprint

GRI 2-1, 2-6

Telefónica is the company that it is today thanks to its almost 100 years of transformation and adaptation.

At a time when technology is more present than ever in our lives, we cannot forget that the most important connections are human ones. They are the main source of people's well-being and happiness.

At Telefónica, we know that it is people who give meaning to technology and not the other way around. For this reason, we offer connections that bring people together, rather than isolate them; connections that allow them to express themselves, share with others and improve their quality of life. This mission compels us to protect people and the planet, as well as ensure that business ethics are at the heart of everything we do.

We aim to digitalise the whole of society, leaving no one behind, naturally aligning ourselves with the United Nations 2030 Agenda, which highlights the key role of technology, innovation and communications in addressing the great challenges facing humanity.

We offer innovative solutions that transform and simplify people's lives, and we continue to work to do so more and more effectively.

We believe in a more compassionate world that is driven by the talents of people. That is why we have spent nearly 100 years not only securing the best connections, but supporting talent the best way we know how, by connecting it.

We are a privately held and listed global company that in 2022 operated in 12 countries (Spain, Germany, Brazil, the United Kingdom, Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela) and had a presence in 38 countries, representing 383 million connections worldwide.

We also have emerging units such as Telefónica Infra, a subsidiary of the Telefónica Group that operates as a portfolio manager, which owns and rotates stakes in vehicles for investments in infrastructure together with financial investors.

> Key indicators

Revenue

2022	Revenue by segment (millions of euros)
Telefónica Spain	12,497
Telefónica Germany	8,224
Telefónica Brazil	8,870
Telefónica Hispam	9,141
VMED O2	12,155

Connections

2022	Total accesses (thousands)
Telefónica Spain	40,493
Telefónica Germany	48,892
Telefónica Brazil	112,424
Telefónica Hispam	110,971
VMED O2	57,745

1.9.1. Consolidated results

Key financial indicators

Millions of euros	2022	Reported annual variation
Revenues	39,993	1.8%
OIBDA	12,852	(41.5%)
Profit for the year	2,319	(78.4%)
Free Cash Flow	4,566	72.4%
Net financial debt	26,687	2.3%



1. Strategy and growth model

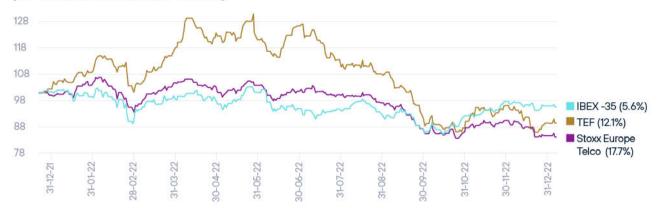
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.9.2. Share price performance

Telefónica on the stock exchange, 2022

Share price performance

(TEF & IBEX-35 & STOXX EUROPE TELCO)



Share figures

Close (€)	3.39
52-week maximum	5.06
52-week minimum	3.25
Total daily volume average (mill. Shares)	54.0
Number of shares (million)	5,775
Market capitalisation (million €)	19,549

Analysts' recommendations¹

Buy	47%
Hold	38%
Sell	15%

Stock Exchange listings

k (ADR)	
5)	
	30) 3

1. Bloomberg; 31/12/2022

In 2022, European and US equity and bond markets suffered historic declines amid high levels of uncertainty and volatility. Among the main European markets (EURO STOXX 50 -11.7%), the DAX performed the worst (-12.3%), followed by the CAC 40 (-9.5%), while the IBEX 35 recorded a better relative performance (-5.6%) and the FTSE 100 closed with slight gains (+0.9%). While most European indices had their worst annual performance since 2018, in the US they suffered their biggest falls since 2008 (Nasdaq -33.1%, S&P -19.4% and Dow Jones -8.8%).

Remuneration/total shareholder return

€0.3/share in cash

- → €0.15 /share December 2022
- → €0.15/ share June 2023
- → Calendar payments in 2022:
 - → €0.15/sh. June voluntary scrip dividend
 - → €0.15/sh. December in cash

RTA 2022: -5.3%

Target Price1

\sim	4.57
W	€/share

Credit ratings

Moody's	Baa3
Fitch	BBB
S&P	BBB-

Number of shareholders



Major shareholders

BBVA	4.87%
Caixa/Criteria	3.50%
BlackRock	4.48%

The MSCI World index fell by 19.5%. As for the Western bond market, there were the largest price cuts in decades, with an unprecedented rally in yields (e.g. the 10-year US Treasury bond closed 2022 at 3.9% vs. 1.5% in 2021).

The determining factors for the performance of the markets in 2022 were high inflation and monetary policy by central banks, alongside a monetary stimulus withdrawal process and interest rate hikes to control



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.9.3. Moving towards a more sustainable world

Sustainability starts at home. Acting with integrity, commitment and transparency is what helps us build trusting relationships. That is why we go beyond our responsibility and aim to be an exemplary company with the trust of our stakeholders: customers, employees, suppliers and shareholders.

> Networks: our connectivity

Connectivity is the fundamental requirement for access to the digital world and at Telefónica we focus our efforts on having the best technology for our network, a network based on fibre technologies, fibre to the home (FTTH) and the development of 4G and 5G mobile technologies, thereby ensuring excellent Wi-Fi connectivity in the home.

Telefónica has already switched on 5G technology in its four main markets: Spain, Brazil, Germany and the United Kingdom. 5G is not just a new generation of mobile telephony, it is a revolution, both due to its practical applications for all sectors and because it enables ultrabroadband coverage to be extended. In addition, 5G technology is more efficient, up to 90% more efficient than 4G per unit of traffic.

Our network has always been a unique asset. People's lives depend on it and it has shown unrivalled resilience when it has been needed most. It has demonstrated its robustness and stability by accommodating the large growth in traffic caused by the COVID-19 crisis in 2020 without significant incidents or saturation.



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

We have a scalable, innovative network, capable of handling more and more traffic, a greater number of services and a more complex value proposition in both B2C and B2B areas. It is a flexible and efficient network thanks to an increasingly automated management that is evolving towards the zero-touch concept. It is also a more sustainable network, powered by renewable sources, which has managed to reduce energy consumption by 7.2% since 2015, despite a 7.4-fold increase in the traffic handled since then.

Our aim is to bring technology to everyone so that they can benefit from the opportunities it offers and build fairer, more prosperous and sustainable societies. Infrastructure deployment is key in this regard, as it allows our services to reach all regions, including rural or hard-to-reach areas.

inflation, the unfolding war in Ukraine, the situation and reopening of the economy in China and the global macroeconomic scenario. These factors led to a strong sector rotation and high levels of uncertainty and volatility in the markets, and their behaviour remains key to market performance in 2023.

The performance of the telecommunications sector was divided into two clear parts in 2022. In the first half, it outperformed in relative terms (STOXX Telecommunications stable vs. STOXX 600 -16.5%) favoured by the rotation towards defensive and value stocks, hopes of consolidation in certain markets (as in Spain with the proposed merger between Orange and MásMóvil) and low valuations, coupled with industrial interest in the sector. Telefónica, which also benefited from the appreciation of Latin American currencies and speculation about its return to the EURO STOXX 50, was the best performing operator (+26.2%). In the second half of the year, despite solid results, STOXX Telecommunications had suffered a reversal in its fortunes (-17.7% vs. STOXX 600 +4.3%), as it was perceived as a less defensive sector than initially expected, due to increased concerns about companies' growth prospects due to energy costs and inflation, leverage and the effects of interest rate hikes. This was in addition to disappointment in relation to expectations of consolidation and better regulation in the markets, a preference for "quality" defensive stocks and profit-taking after the rallies in the first half of the year.

Telefónica continues to implement its strategy and, in 2022, a difficult year from a macroeconomic and geopolitical point of view, met its growth targets, which it revised upwards following the results of the first six months of the year. Telefónica delivered profitable and sustainable revenues and OIBDA growth and continued to allocate capital efficiently, prioritising growth investments. Telefónica ended the 2022 financial year with a market capitalisation of €19.5 billion, price per share of €3.39, -12.1% in the year, and total shareholder return of -5.3%.

Regarding the dividend payment, €0.30 per share was paid in 2022 (€0.15 per share in June under the voluntary flexible dividend and €0.15 per share in December in cash). The 2022 shareholder remuneration policy provides for a dividend of €0.30 per share in cash (€0.15 per share paid in December 2022 and €0.15 per share to be paid in June 2023). The 2022 dividend yield stood at 8.9%. In addition, in April 2022, 139.3 million treasury shares were redeemed.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

In 2022, we ended the year with a result of 30 points, **4 above** last year's figure and we exceeded the annual target as a result of positive performance in Brazil, Hispam and Germany and, more significantly in Spain..

broadband connections (6.6% higher than the previous year). We are committed to achieving between 90-97% rural mobile broadband coverage by 2024. In 2022, we already have 80% in Brazil, 94% in Spain and we have exceeded the target in Germany with 99%.

penetration of 91% and we have over 24 million ultra-

In this regard, our LTE mobile networks have a

LTE Penetration

	2021	2022
Spain	91.6%	91.6%
United Kingdom	91.5%	90.5%
Germany	98.9%	97.3%
Brazil	85.1%	88.1%
Argentina	89.2%	91.0%
Peru	91.3%	92.3%
Chile	91.8%	90.5%
Uruguay	91.4%	92.8%
Colombia	83.1%	86.1%
Mexico	79.7%	85.9%
Total	89.6%	90.5%

UBB Accesses (thousands)

	2021	2022	YoY variation
Spain	4,848	5,042	4.0%
Germany	1,857	1,939	4.4%
Brazil	5,535	5,968	7.8%
Hispam	4,432	5,155	16.3%
Total	22,282	23,758	6.6%

> Customer trust

We have been monitoring and reporting our Net Promoter Score (NPS) as a **recommendation indicator for our products and services** since 2018. We perform the calculation of 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.



For further information, see chapter 2.11. Customers

NPS Telefónica Group

2022	2021 ¹
30	26

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

> Environmentally responsible

At Telefónica, we aim to **minimise our footprint** and take advantage of **digitalisation** as a key tool for tackling environmental challenges. Our environmental strategy, therefore, cuts across the business and seeks to decouple economic growth from our impact on the planet.

To help limit the global temperature rise to 1.5°C, we will have **net zero emissions by 2040**, including our value chain. We also aim to be a **Zero Waste company by 2030**, through eco-design, circular purchasing, reuse and recycling.

These targets are not only compatible with the expansion of the network and quality of service, but also help us to be **more competitive**.

We obtained 82% of our electricity consumption from renewable sources in the Group as a whole -100% in our main markets, as well as in Chile and Peru- and we have reduced carbon emissions by 80% (scope 1+2) compared to 2015.



For further information, see chapter 2.2. Energy and climate change



For further information, see chapter 2.3. Circular Economy

We also drive connectivity and digitalisation as key levers to help our customers run their business more efficiently and sustainably. Thanks to the efficiencies generated by our products and services, 81.7 million tonnes of CO₂ emissions were avoided in 2022.



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

Reported figure in 2021: 27.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Key energy and climate change indicators

	Base year: 2015	2021	2022
% Renewable electricity consumption in own facilities	17%	79%	82%
Energy consumption per traffic unit (MWh/PB)	386	54	49
% Evolution of energy efficiency (base year: 2015)	-	-86%	-87%
GHG emissions scope 1+2 (market method) (tCO ₂ e)	1,811,155	536,737	353,346

Zero Waste in 2030

	Target 2030	2021	2022
Percentage of recycled waste	100%	98%	98%

> Diversity among our employees

At Telefónica, we incorporate diversity and inclusion as a key element to connect talent and grow as a company.

The Global Diversity Council promotes an inclusive culture and leadership style to ensure environments where employees can give their best.

We are committed to diversity in all its forms, but our strategy is built around five lines of work: gender equality, the LGBT+ community, people with disabilities, generational diversity and ethnic diversity.

In particular, when it comes to **gender equality**, our targets for 2024 are to have 33% of directors being filled by women and to achieve an adjusted pay gap of +/-1%. These targets will contribute to eliminating the gender pay gap by 2050, which is our long-term north star.

With regard to people with disabilities, we are committed to doubling the number of employees with disabilities over the next two years.



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

Women in Telefónica

	2021	2022
Women in the workforce	38.1%	38.6%
Women directors	29.5%	31.3% ²

Pay gap

	2021	2022
Gross pay gap	17.49% ³	16.80%
Adjusted pay gap	1.18%	0.74%

Employees with disabilities

2021	2022
1,128 ⁴	1,482

> Our contribution and impact

With the Sustainable Development Goals as our compass and our unwavering commitment to human rights, we help society thrive by fostering economic and social progress through digitalisation.

At Telefónica, we identify where and how we contribute most significantly to the SDGs and measure our social and environmental impact annually.

We have developed an innovative ESG impact assessment model with a methodology based on Harvard University's Impact Weighted Account Initiative (IWAI) and KPMG's True Value methodology, which shows that we contribute over €98 billion to communities.

In addition, sustainable financing helps us to continue to support the SDGs with projects that have a social and environmental impact.



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

² 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%.

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%.

⁴ Correction applied due to error in the reporting of the data in the 2021 Consolidated Annual Report.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Telefónica's overall contribution

2022	Revenues (million €)	Employees	Percentage of suppliers awarded local contracts	Total investment (CapEx) (million €)	Personnel expenses (million €)	Input taxes (million €)
Group	39,993	103,638	91%	5,819	5,524	2,438

1.9.4. Analysts and rankings

Bloomberg Gender-Equality Index



Included

CDP



Α

CDP Supplier Engagement



Leader

Digital Inclusion Benchmark (DIB)



89.5/100 1st in the world (ICT sector) 2021 Assessment

EcoVadis

ecovadis

76/100

Fortune

Fortune

Members of the Most Admired Companies 2022 list (4th in the world/2nd in Europe)



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.9.4. Analysts and rankings

FTSE Russell



4.4/5

1st in the world (telecommunications sector)

Moody's Vigeo Eiris

Moody's | ESG Solutions

67/100

MSCI



Α

Ranking Digital Rights



1st in the telecommunications sector

Refinitiv



Α-

An LSEG Business

S&P DJSI

Member of **Dow Jones** Sustainability Indices Powered by the S&P Global CSA

86/100 Member of DJSI Europe

Sustainalytics



15.2 (low risk) 6th in the telecommunications sector

Workforce Disclosure Initiative



91%

The table includes the latest valuations provided by institutions in 2022 or later, but based on information from that year.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.10. Business overview

GRI 2-6

1.10.1. Highlights

2022 was a challenging year, during which Telefónica showed its resilience and ability to mitigate the effects of an adverse macro environment. Additionally, in 2022 the foreign exchange rates positively affected Telefónica's results, after various years of negative impacts, mitigating the impact of the inflation in Europe and certain Latin American markets. In 2022, revenues grew in reported terms y-o-y for the first time since 2015 (+1.8%). In organic terms, considering 50% of the results of VMO2 in 2021 and 2022, revenues grew 4.0% y-o-y, supported by a strong commercial momentum. OIBDA in organic terms, considering 50% of the results of VMO2 in 2021 and 2022, grew 3.0% due to higher revenues and cost efficiencies.

Telefónica strengthened its position in core markets:

- In **Spain**, Telefónica's revenues grew thanks to the good commercial performance and despite a complex macro environment, increasing 0.6% y-o-y.
- In Brazil, Telefónica maintained its strong operating momentum, accelerating FTTH rollout (reaching 23.3 million premises passed by December 31, 2022) and increasing its mobile contract ex IoT market share to 43.5%, following the acquisition of Oi's mobile assets. These factors,together with the appreciation of the Brazilian real, led to significant revenue growth.
- In Germany, Telefónica continued to bolster network quality, surpassing its 5G initial rollout goals and gaining

solid commercial traction, reflected in higher revenues and operating income growth.

 In the United Kingdom, VMO2 continued its operating progress driven by synergies.

We took further steps in our strategy to build a stronger Telefónica and focused our investments on nextgeneration networks, while maintaining a disciplined capital allocation framework.

Telefónica's **total accesses** include Oi accesses base since April 1, 2022 within Telefónica Brazil and exclude Telefónica El Salvador since January 1, 2022, totaling 383.1 million as of December 31, 2022. Accesses base increased by 3.8% year-on-year, mainly due to the prior impacts. Excluding the sale of Telefónica El Salvador, the increase of the accesses base was 4.3%.

The table below shows the evolution of accesses over the past two years as of December 31, of such years:



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Accesses

Thousands of accesses	2021	2022	%Reported YoY	%Organic YoY
Fixed telephony accesses ⁽¹⁾	29,966.9	27,941.9	(6.8%)	(6.4%)
Broadband	25,833.3	26,303.9	1.8%	1.8%
UBB	22,281.8	23,757.7	6.6%	6.6%
FTTH	12,243.8	14,273.0	16.6%	16.6%
Mobile accesses	277,793.3	292,168.1	5.2%	5.8%
Prepay	129,675.7	129,685.7	0.0%	1.2%
Contract	117,432.1	126,242.3	7.5%	7.7%
loT	30,685.4	36,240.1	18.1%	18.1%
Pay TV	11,111.7	10,586.5	(4.7%)	(4.7%)
Retail Accesses	344,945.5	357,213.3	3.6%	4.1%
Wholesale Accesses	24,173.3	25,932.9	7.3%	7.3%
Fixed wholesale accesses	3,694.5	3,665.7	(0.8%)	(0.8%)
FTTH wholesale accesses	2,988.0	3,211.7	7.5%	7.5%
Mobile wholesale accesses	20,478.8	22,267.2	8.7%	8.7%
Total Accesses	369,118.9	383,146.2	3.8%	4.3%

Notes:

The table below shows the contribution to reported growth of each item considered to calculate the organic variations. To exclude the impact of the sale of Telefónica El Salvador in the calculation of organic variations, the 2021 comparative figures exclude the accesses of Telefónica El Salvador. For each line item, the

contribution to reported growth, expressed in p.p., is the result of dividing the amount of each impact (on a net basis when the impact affects both years)by the consolidated reported figure for the previous year.

Contribution to the reported growth (percentage points)

Thousands of accesses	%Reported YoY	%Organic YoY	Telefónica El Salvador
Fixed telephony accesses	(6.8%)	(6.4%)	_
Broadband	1.8%	1.8%	_
UBB	6.6%	6.6%	_
FTTH	16.6%	16.6%	_
Mobile accesses	5.2%	5.8%	(0.5)
Prepay	0.0%	1.2%	(0.4)
Contract	7.5%	7.7%	(0.1)
loT	18.1%	18.1%	_
Pay TV	(4.7%)	(4.7%)	_
Retail Accesses	3.6%	4.1%	(0.5)
Wholesale Accesses	7.3%	7.3%	_
Fixed wholesale accesses	(0.8%)	(0.8%)	_
FTTH wholesale accesses	7.5%	7.5%	_
Mobile wholesale accesses	8.7%	8.7%	_
Total Accesses	3.8%	4.3%	(0.5)

⁻ The table includes, with respect to 2021, accesses of Telefónica El Salvador (1.8 million total accesses as of December 31, 2021). The sale of Telefónica El Salvador was completed on January 13, 2022.

(1) Includes fixed wireless and VoIP accesses.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The table below shows the evolution of accesses by segment:

	% Over Total Accesses		
YoY variation	2021	2022	
0.9%	10.9%	10.6%	
3.1%	15.2%	15.1%	
(2.6%)	13.6%	12.8%	
13.7%	26.8%	29.3%	
0.5%	29.9%	29.0%	
(6.6%)	3.7%	3.3%	
	0.9% 3.1% (2.6%) 13.7% 0.5%	YoY variation 2021 0.9% 10.9% 3.1% 15.2% (2.6%) 13.6% 13.7% 26.8% 0.5% 29.9%	

Note:

Mobile accesses totaled 292.2 million as of December 31, 2022, up 5.2% compared to December 31, 2021, mainly due to the inclusion of Oi's mobile accesses, partially offset by the sale of Telefónica El Salvador. Excluding the sale of Telefónica El Salvador, mobile accesses increased by 5.8%. Postpaid accesses represented 49.3% of the mobile accesses excluding IoT accesses (+1.8 p.p. and +1.6 p.p. excluding the impact of the sale of Telefónica El Salvador).

Fixed broadband accesses stood at 26.3 million at December 31, 2022, up 1.8% year-on-year. Retail fiber (FTTH) accesses stood at 14.3 million at December 31, 2022, growing by 16.6% compared to December 31, 2021.

Pay TV accesses totaled 10.6 million as of December 31, 2022, down 4.7% year-on-year mainly due to lower accesses in Telefónica Spain.

The tables below show the evolution of Telefónica's estimated access market share for mobile and fixed broadband for the past two years.

Competitive Position Evolution

	Mobile Mark	et Share ⁽¹⁾	
Telefónica	2021	2022	
Spain	27.6 %	27.5 %	
United Kingdom ⁽²⁾	30.1 %	29.6 %	
Germany	34.9 %	34.2 %	
Brazil	33.1 %	38.9 %	
Argentina	29.2 %	28.5 %	
Chile	25.8 %	25.5 %	
Peru	30.4 %	29.0 %	
Colombia	26.0 %	25.6 %	
Venezuela	54.7 %	53.3 %	
Mexico	19.5 %	18.3 %	
Ecuador	31.5 %	31.4 %	
Uruguay	29.1 %	27.8 %	

⁽¹⁾ Internal estimates in both years.

 $^{^{(2)}}$ It refers to VMO2 market share as of September 2021 and September 2022, respectively.

	FBB Market S	hare ⁽¹⁾	
Telefónica	2021	2022	
Spain	35.3 %	34.0 %	
Brazil	15.3 %	14.6 %	
Argentina	11.7 %	11.3 %	
Chile	29.8 %	31.5 %	
Peru	61.0 %	55.1 %	
Colombia	13.8 %	15.1 %	

⁽¹⁾ Internal estimates in both years.

⁽¹⁾ Our former Telefónica United Kingdom segment was replaced by our new VMED O2 UK segment on June 1, 2021.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.10.2. 2022/2021 Consolidated results

In this section, we discuss changes in the Group's consolidated income statements for the years ended December 31, 2022 and 2021.

	Year ended 31,		Variation 2022 vs 2021	
Consolidated Results	2021	2022		
Millions of euros	Total	Total	Total	%
Revenues	39,277	39,993	716	1.8%
Other income	12,673	2,065	(10,608)	(83.7%)
Supplies	(12,258)	(12,941)	(683)	5.6%
Personnel expenses	(6,733)	(5,524)	1,209	(18.0%)
Other expenses	(10,976)	(10,741)	235	(2.1%)
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBDA)	21,983	12,852	(9,131)	(41.5%)
OIBDA Margin	56.0 %	32.1 %		(23.8 p.p.)
Depreciation and amortization	(8,397)	(8,796)	(399)	4.8%
Amortization of intangible assets, depreciation of property, plant and equipment	(6,748)	(6,731)	17	(0.2%)
Amortization of rights of use	(1,649)	(2,065)	(416)	25.2%
OPERATING INCOME (OI)	13,586	4,056	(9,530)	(70.1%)
Operating Margin	34.6 %	10.1 %		(24.4 p.p.)
Share of income of investments accounted for by the equity method	(127)	217	344	C.S.
Net financial expense	(1,364)	(1,313)	51	(3.7%)
PROFIT BEFORE TAX	12,095	2,960	(9,135)	(75.5%)
Corporate income tax	(1,378)	(641)	737	(53.5%)
PROFIT FOR THE YEAR	10,717	2,319	(8,398)	(78.4%)
Attributable to equity holders of the parent	8,137	2,011	(6,126)	(75.3%)
Attributable to non-controlling interests	2,580	308	(2,272)	(88.0%)

c.s.: change of sign

Adjustments made to calculate organic variations

Year-on-year percentage changes referred to in this document as "organic" or presented in "organic terms" intend to present year-on-year variations on a comparable basis, by considering a constant perimeter of consolidation, constant average foreign exchange rates and by making certain other adjustments which are described herein. Organic variations should not be viewed in isolation or as an alternative to reported variations.

For purposes of this report, 2022/2021 organic variation is defined as the reported variation as adjusted to exclude the impacts detailed below:

 Foreign exchange effects: we have excluded the impact of changes in exchange rates (except for countries with hyperinflationary economies: Argentina and Venezuela) by assuming constant average foreign exchange rates year-on-year (using average foreign exchange rates of 2021 for both years). Foreign exchange rates had a positive impact on our reported 2022 results, mainly due to the appreciation of the Brazilian real against the euro.

Foreign exchange effects increased revenue growth by 4.5 percentage points, OIBDA growth by 3.0 percentage points and operating income growth by 1.6 percentage points in 2021.

Changes in the consolidation perimeter: we have excluded the impact of changes in our consolidation perimeter in 2022 and 2021. The main changes are the exclusion from the perimeter of consolidation of Telefónica United Kingdom (prior to the registration of the Virgin Media O2 UK joint venture) and the towers divisions of Telxius Group in June, 2021. To exclude these impacts, we have excluded the results of these Groups in our 2021 comparative basis.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

As explained below, 50% of the results of VMO2 are included in the organic variation of the Group.

Following its exclusion from the scope of consolidation, the amortization of rights of use of Telxius assets by the Group's operators is no longer eliminated in the consolidation process.

 Gains or losses on the sale of companies: the gains obtained or losses incurred from the sale of companies have been excluded to calculate organic variations.

In 2022 it is excluded mainly the capital gain from the sale of fiber optic assets in Colombia (162 million euros) and the capital gains of fiber optic assets in United Kingdom (20 million euros).

In 2021, we mainly excluded the gains resulting from the establishment of VMO2 (4,460 million euros), the sale of the European and Latin American towers divisions of the Telxius Group (6,099 million euros), the sale of the companies related to the establishment of FiBrasil (26 million euros), the sale of 60% of the shares in InfraCo, SpA (274 million euros) and the sale of Telefónica de Costa Rica (136 million euros).

 Restructuring costs: we have excluded the impact in 2022 and 2021 of restructuring costs, mainly those related to the Individual Suspension Plan adopted under the Social Pact for Employment in Telefónica Spain in 2021.

The distribution by segment of the restructuring costs, in terms of their impact on OIBDA and operating income, is as follows:

Millions of euros	2021	2022
Telefónica Spain	1,382	57
Telefónica United Kingdom	_	_
Telefónica Germany	22	16
Telefónica Brazil	_	_
Telefónica Hispam	174	98
Other companies	85	8
Total restructuring costs	1,663	179

- Reported variation of companies in hyperinflationary countries: in the organic variation, the y-o-y reported variation of the companies in countries with hyperinflationary economies (Argentina and Venezuela) is excluded. In reported terms, in 2022 the revenues of these companies increased by 27 million euros and their OIBDA, operating income and OIBDA-CapEx decreased by 13 million euros, 86 million euros, 35 million euros, respectively, compared to 2021.
- Impairment of goodwill and other assets: in 2022 the impairment of assets amounted to 77 million euros, in Telefónica Argentina is excluded. In 2021 the

impairment of goodwill amounting to 416 million euros, mainly in Telefónica Peru, has been excluded.

- Judicial decision PIS/COFINS: we excluded the positive impact of the judicial decisions of the Brazilian Supreme Court recognizing the right to deduct the state tax on goods and services (ICMS) from the calculation of the basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security COFINS (Contribução para Financiamiento de Seguridade Social) amounting to 243 million euros in OIBDA in 2021.
- **Spectrum acquisition:** the organic variation of capital expenditures ("CapEx") excludes the impact of spectrum acquisitions in 2022 and 2021.

In 2022, spectrum acquisitions amounted to 173 million euros of which 125 million euros corresponded to Telefónica Colombia, 35 million euros to Telefónica Brasil, 8 million euros to Telefónica Argentina and 5 million euros to Telefónica Uruguay.

In 2021, spectrum acquisitions amounted to 1,704 million euros of which 706 million euros corresponded to Telefónica Brazil, 515 million euros to our former Telefónica United Kingdom segment (which acquisitions took place before JV VMED O2 UK was established), 352 million euros to Telefónica Spain and 131 million euros to Telefónica Chile.

Other adjustments: organic variations exclude the following:

In 2022: (i) the impact of the accelerated amortization related to the transformation of the operating model of Telefónica México (following the AT&T agreement entered into in 2019) amounting to 24 million euros in amortization and operating income amounting to 24 million euros; and other adjustments amounting to 6 million euros.

In 2021: (i) the provision for contingencies in Telefónica Brazil amounting to 154 million euros with a negative impact in OIBDA; (ii) the impact of the accelerated amortization related to the transformation of the operating model of Telefónica México (following the AT&T agreement entered into in 2019) on depreciation and amortization amounting to 88 million euros; (iii) the provisions recorded in Telefónica Spain to optimize the distribution network (44 million euros in OIBDA).

The table below shows 2022/2021 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the consolidated income statement and CapEx and OIBDA-CapEx:



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

	YoY vari	ation	
TELEFÓNICA 2022	% Reported YoY	% Organic YoY	
Revenues	1.8%	4.0%	
Other income	(83.7%)	12.8%	
Supplies	5.6%	8.3%	
Personnel expenses	(18.0%)	3.9%	
Other expenses	(2.1%)	1.7%	
OIBDA	(41.5%)	3.0%	
Depreciation and amortization	4.8%	(1.3%)	
Operating income (OI)	(70.1%)	15.4%	
СарЕх	(19.9%)	4.6%	
OIBDA-CapEx	(52.2%)	1.8%	

The table below shows the contribution to reported growth of each item considered to calculate the organic variations, as explained above. For each line item, the contribution to reported growth, expressed in percentage points, is the result of dividing the amount of the impact of each such item (on a net basis when the impact affects both years) by the consolidated reported figure for the previous year.

	Contribution to reported growth (percentage points)								
TELEFÓNICA2022	Exchange rate effect	Perimeter change	Capital gains/ losses on sale of companies	•	Reported variation in hyperin- flationary countries	Impairment of goodwill and other assets	Judicial decision PIS/ COFINS	Spectrum acquisiton	Other adjustments
Revenues	4.5	(7.1)	_	_	0.1	_	_	_	_
Other income	0.6	(0.6)	(85.3)	_	0.1	_	_	_	_
Supplies	3.3	(7.7)	_	_	0.0	_	_	_	_
Personnel expenses	3.1	(3.3)	_	(22.0)	0.6	_	_	_	_
Other expenses	5.0	(6.3)	0.1	(0.0)	0.1	(2.9)	2.2	-	(1.8)
OIBDA	3.0	(4.5)	(49.2)	6.8	(0.1)	1.4	(1.1)	-	0.9
Depreciation and amortization	5.3	1.3	_	_	0.9	_	_	_	(0.8)
Operating income (OI)	1.6	(8.2)	(79.6)	10.9	(0.6)	2.3	(1.8)	_	1.9
CapEx	4.2	(13.6)	_	_	0.3	_	_	(17.7)	_
OIBDA-CapEx	2.4	(0.1)	(73.5)	10.1	(0.2)	2.1	(1.7)	8.8	1.3

1.10.3. Analysis of results

Revenues in 2022 totaled 39,993 million euros, increasing 1.8% year-on-year in reported terms, positively impacted by foreign exchange effects, mainly due to the appreciation of the Brazilian real against the euro (+4.5 p.p.), despite the changes in the consolidation perimeter (-7.1 p.p.) related mainly to the exclusion of the entities that comprised our former Telefónica United Kingdom segment since June 1, 2021. In organic terms, as explained above, considering 50% of VMO2 in 2021 and 2022, revenues grew by 4.0%, thanks to the positive growth in service revenues (+3.2%) driven by Telefónica Brazil, Telefónica Germany and Telefónica Hispam.

Other income mainly includes work on fixed assets and gains on disposal of assets. In 2022, other income totaled 2,065 million euros compared to 12,673 million euros

recorded in the same period of 2021 mainly due to the capital gain from the sale of the Telxius towers business (6,099 million euros), the establishment of VMO2 (4,460 million euros), the sale of 60% of the shares in InfraCo, SpA in Chile (274 million euros), the sale of Telefónica Costa Rica to Liberty Global (136 million euros) and the establishment of FiBrasil in Brazil (26 million euros). In 2022 the sale of fiber optic assets in Colombia (162 million euros) and the sale of fiber optic assets in United Kingdom (20 million euros) were recorded. In organic terms as explained above, considering 50% of VMO2 in 2021 and 2022, other revenues grew by 12.8%.

The total amount of supplies, personnel expenses and other expenses (mainly external services and taxes) was 29,206 million euros in 2022, down 2.5% year-on-year in reported terms. compared to 2021. This decrease was mainly attributable to the impact of changes in the



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

scope of consolidation (-6.2 p.p.) mainly the exit of Telefónica United Kingdom from the perimeter on June 1, 2021, and lower restructuring costs (-5.0 p.p.), partially offset by changes in foreign exchange rates (+3.9 p.p.). In organic terms, as explained before, considering 50% of the results of VMO2 in 2021 and 2022, the total amount of supplies, personnel expenses and other expenses increased by 5.0%. The evolution of these expenses is explained in greater detail below:

- Supplies amounted to 12,941 million euros in 2022, up 5.6% year-on-year in reported terms, mainly as a result of the impact of changes in foreign exchange rates (+3.3 p.p.) and in spite of changes in the scope of consolidation (-7.7 p.p.). In organic terms, as explained before, considering 50% of VMO2, supplies increased by 8.3% year-on-year, mainly due to higher handset costs due to higher commercial activity.
- **Personnel expenses** amounted to 5,524 million euros in 2022, down by 18.0% year-on-year in reported terms compared to 2021, mainly as a result of lower restructuring costs (-22.0 p.p.) and changes in the scope of consolidation (-3.3 p.p.) and partially offset by the impact of changes in foreign exchange rates (+3.1 p.p.). In organic terms, as explained before, considering 50% of VMO2, personnel expenses increased by 3.9% year-on-year, as a result of higher expenses in Germany and Brazil.

The average headcount was 102,563 employees in 2022, down 4.8 % compared to 2021, mainly as a result of the deconsolidation of the entities that comprised our former Telefónica United Kingdom segment in June 2021.

• Other expenses amounted to 10,741 million euros in 2022, down 2.1% year-on-year in reported terms. This decrease was mainly attributable to the impact of changes in the scope of consolidation (-6.3 p.p.), partially offset by the impact of foreign exchange rates (+5.0 p.p.). In organic terms, as explained before, considering 50% of VMO2, other expenses increased by 1.7% year-on-year due mainly to higher expenses in Spain and Germany.

As a result of the foregoing, OIBDA totaled 12,852 million euros in 2022, compared with 21,983 million euros in 2021, strongly impacted by the gains from the transactions recorded in "Other income" in 2021 (-49.2 p.p.), changes in the scope of consolidation (-4.5 p.p.) partially offset by lower restructuring expenses in 2022 (+6.8 p.p.), and the positive exchange rate impact (+3.0 p.p.). In organic terms, as explained above, considering 50% of VMO2 in 2021 and 2022, OIBDA would grow 3.0% year-on-year.

Depreciation and amortization amounted to 8,796 million euros in 2022 increasing by 4.8%, mainly affected by the impact of the exchange rates (+5.3 p.p.) as well as the changes in the consolidation perimeter (+1.3 p.p.) as a consequence of the sale of the towers communications

division sale in 2021, which resulted in an increase in the amortization of rights of use.

In organic terms, as explained above, considering 50% of the results of VMO2 in 2021 and 2022, amortization would decrease by 1.3% year-on-year.

Operating income (OI) for 2022 totaled 4,056 million euros compared to 13,586 million euros recorded in the same period of 2021, strongly impacted by the capital gains on the sale of businesses discussed above (-79.6 p.p.) and changes in the scope of consolidation (-8.2 p.p.), partially offset by lower restructuring expenses in 2022 (+10.9 p.p.). In organic terms, as explained above, considering 50% of VMO2 in 2021 and 2022, operating income grew by 15.4% year-on-year due to the result of revenue growth in all segments.

The **share of income (loss) of investments** accounted for by the equity method in 2022 was an income of 217 million euros, compared to a loss of 127 million euros in 2021, mainly due to the respective results of VMO2, affected by changes in the fair value of derivatives.

Net financial expense amounted to 1,313 million euros in 2022, down 51 million euros compared to 2021, mainly due to extraordinary income related to the payment by the Spanish administration to the Group of delayed interest in connection with tax litigation in Spain, which more than offset the increase in the expenses due to the increase in interest rates and a higher level of debt denominated in Brazilian reais.

Corporate income tax amounted to 641 million euros in 2022, decreasing compared to 2021 (1,378 million euros) by 737 million euros. The y-o-y change is explained mainly by the extraordinary expenses recorded in 2021 (among others, the impact of the Spanish tax inspection closing), the deconsolidation of the entities that comprised our former Telefónica United Kingdom segment since June 2021, the positive outcome of the tax inspection closing in Germany in 2022 and the corporate simplification carried out in Brazil in 2022.

As a result, **profit for the year attributable to equity holders of the parent** in 2022 was 2,011 million euros (8,137 million euros in 2021).

Profit attributable to non-controlling interests was 308 million euros in 2022 (2,580 million euros in 2021). The variation is mainly due to a decrease in profit attributable to non-controlling interests in Telxius, which completed the sale of its towers divisions in Europe and Latin America in 2021.

CapEx totaled 5,819 million euros in 2022, down 19.9% year-on-year in reported terms, impacted by lower spectrum purchases in 2022 (-17.7 p.p.), and the change in the consolidation perimeter (-13.6 p.p.), partially offset by the exchange rate impact (+4.2 p.p.). In organic terms, as explained above, considering 50% of VMO2 in 2021 and 2022, CapEx increased by 4.6% year-on-year.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

OIBDA-CapEx stood at 7,033 million euros in 2022, compared to 14,716 million euros in 2021 (-52.2%), strongly affected by the above mentioned capital gains from the sale of businesses (-73.5 p.p.), partially offset by lower restructuring expenses (+10.1 p.p.), the positive effect of lower spectrum purchase (+8.8 p.p.), the recording of goodwill impairment in 2021 in a greater amount than asset impairments in 2022 (+2.1 p.p.) and exchange rate impact (+2.4 p.p.). In organic terms, as explained above, considering 50% of VMO2 in 2021 and 2022, OIBDA-CapEx grew by 1.8% year-on-year.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

1.10.4. 2022/2021 Segment results

TELEFÓNICA SPAIN

The table below shows the evolution of accesses in Telefónica Spain over the past two years as of December 31 of such years:

ACCESSES

Thousands of accesses	2021	2022	%Reported YoY
Fixed telephony accesses (1)	8,376.3	8,102.3	(3.3%)
Broadband	5,874.9	5,854.5	(0.3%)
FTTH	4,847.6	5,042.2	4.0%
Mobile accesses	18,484.6	19,347.3	4.7%
Prepay	752.5	796.0	5.8%
Contract	15,210.7	15,099.5	(0.7%)
loT	2,521.5	3,451.8	36.9%
Pay TV	3,716.4	3,526.3	(5.1%)
Retail Accesses	36,460.9	36,838.9	1.0%
Wholesale Accesses	3,674.3	3,653.6	(0.6%)
FTTH Wholesale Accesses	2,982.0	3,206.1	7.5%
Total Accesses	40,135.2	40,492.6	0.9%

Notes:

In May 2022, we launched miMovistar, a new global portfolio for the general public through which customers will be able to choose the products and services they need in a simple, customizable and flexible way. The proposal is the natural evolution of Movistar Fusión, Movistar's benchmark product over the last ten years.

The portfolio starts with connectivity (Internet, voice and data), to which, if the customer wishes, modules can be added to include a television content offer and value-added services such as, initially, health, gaming and security, to build the most complete and adapted formula that the customer wants. The company plans to integrate in the future more services within the miMovistar ecosystem, such as Movistar Car/Moto, Movistar Money, Home Insurance, Energy, as well as additional connectivity options.

With this new move, Telefónica Spain responds to the needs derived from the transformation of the market and a consumer who demands flexibility and personalization, both in connectivity services and in content or services relevant to his life, while being able to control costs.

In addition, each of the miMovistar connectivity options also includes a device at no cost to the customer, whose catalog depends on their choice and includes, in addition to smartphones, smart TVs, tablets, laptops or smart watches.

Existing Movistar Fusión customers can choose to continue with their current tariff or switch to miMovistar and adapt it to what they choose.

Telefónica Spain's investment in the 5G mobile network made it possible to achieve 85% of population coverage as of December 31, 2022.

Additionally, in 2022, Telefónica Spain has continued to improve its offer proposals to strengthen its relationship with customers and reach new segments, highlighting:

- Solar 360, a joint venture of Repsol and Telefónica Spain formed to develop a solar self-consumption business. The new company started to operate in June 2022, offering a comprehensive self-consumption solution to private customers, communities of neighbors and companies, SMEs, and large companies, through solar panel installation.
- Movistar Prosegur Alarmas, a joint venture of Prosegur and Telefónica Spain, reached 445 thousand customers as of December 31, 2022.

Telefónica Spain had 40.5 million **accesses** as of December 31, 2022, an increase of 0.9% as compared to December 31, 2021, due to an increase in the IoT accesses base.

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.

⁽²⁾ Accesses in 2022 include an upward revision of approximately 500 thousand IoT accesses recorded in March 2022.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3 Pieke
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The convergent offer (residential and SMEs) had a customer base of 4.5 million customers as of December 31, 2022, a decrease of 2.2% y-o-y.

Retail fixed accesses totaled 8.1 million and decreased 3.3% as compared to December 31, 2021, with a net loss of 274 thousand accesses as of December 31, 2022.

Retail broadband accesses totaled 5.9 million (-0.3% vo-y), with a net loss of 20 thousand accesses as of December 31, 2022.

Retail fiber (FTTH) accesses reached 5.0 million customers (+4.0% as compared to December 31, 2021), representing 86.1% of total retail broadband customers (+3.6 p.p. y-o-y) with net adds of 195 thousand accesses as of December 31, 2022. At December 31, 2022, fiber deployment reached 28.0 million premises, 1.1 million more than at December 31, 2021.

Total retail mobile accesses stood at 19.3 million as of December 31, 2022, an increase of 4.7% as compared to December 31, 2021 as a result of an increase in the IoT accesses base (+36.9% y-o-y impacted by an upward revision recorded in March 2022 figures, in an amount of 500 thousand accesses) and prepay accesses (+5.8% yo-y), with a decrease in mobile contract accesses (-0.7%

Pay TV accesses reached 3.5 million at December 31, 2022, decreasing 5.1% year-on-year due to a higher penetration of customers in service bundles that do not include TV.

Wholesale accesses stood at 3.7 million at December 31. 2022, down 0.6% year-on-year, and wholesale fiber (FTTH) accesses were up 7.5% year-on-year (87.8% of total wholesale accesses at December 31, 2022 compared with 81.2% at December 31, 2021).

The table below shows Telefónica Spain's results over the past two years:

Millions of euros				
TELEFÓNICA SPAIN	2021	2022	% Reported YoY	% Organic YoY (1)
Revenues	12,417	12,497	0.6%	0.6%
Mobile handset revenues	400	548	37.4%	37.4%
Revenues ex-mobile handset sales	12,017	11,948	(0.6%)	(0.6%)
Retail	9,699	9,662	(0.4%)	(0.4%)
Wholesale and Other	2,318	2,286	(1.4%)	(1.4%)
Other income	664	803	20.9%	20.9%
Supplies	(4,636)	(5,008)	8.0%	8.0%
Personnel expenses	(3,201)	(1,765)	(44.9%)	(6.1%)
Other expenses	(1,867)	(1,939)	3.9%	6.4%
OIBDA	3,377	4,588	35.9%	(3.3%)
Depreciation and amortization	(2,153)	(2,157)	0.2%	0.2%
Amortization of intangible assets, depreciation of property, plant and equipment	(1,807)	(1,747)	(3.3%)	(3.3%)
Amortization of rights of use	(346)	(410)	18.3%	18.3%
Operating income (OI)	1,224	2,431	98.6%	(6.1%)
CapEx	1,815	1,550	(14.6%)	5.9%
OIBDA-CapEx	1,562	3,038	94.5%	(7.3%)

The table below shows 2022/2021 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

Notes: (1) See adjustments made to calculate organic variations below.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

	YoY varia	oY variation Contribution to reported growth (percentage point		Contribution to reported growth (percer	
TELEFÓNICA SPAIN 2022	% Reported YoY	% Organic YoY	Optimization Distribution Network	Restructuring costs	Spectrum acquisition
Revenues	0.6%	0.6%	_	_	_
Other income	20.9%	20.9%	_	_	_
Supplies	8.0%	8.0%	_	_	_
Personnel expenses	(44.9%)	(6.1%)	_	(41.4)	_
Other expenses	3.9%	6.4%	(2.3)	_	_
OIBDA	35.9%	(3.3%)	1.3	39.2	_
Depreciation and amortization	0.2%	0.2%	_	_	_
Operating income (OI)	98.6%	(6.1%)	3.6	108.2	_
CapEx	(14.6%)	5.9%	_	_	(19.4)
OIBDA-CapEx	94.5%	(7.3%)	2.8	84.8	22.5

Analysis of results

Revenues in 2022 amounted to 12,497 million euros, growing 0,6% y-o-y both in reported and in organic terms. This trend was supported by handset revenues due to the fact that since April 2021 the portfolio includes several devices as part of the packages (including 5G smartphones of different brands, Smart TVs, tablets and laptops, among others). The evolution of revenues excluding mobile handset sales is described below:

- Retail revenues totaled 9,662 million euros in 2022, decreasing by 0.4% year-on-year both in reported and in organic terms, due in part to the customer base decline, partially offset by higher IT revenues due to the higher demand for digitalisation projects in the B2B segment.
- Wholesale and other revenues totaled 2,286 million euros in 2022, decreasing by 1.4% year-on-year both in reported and in organic terms, due mainly to the decrease in fixed traffic revenues, mobile interconnection revenues due to lower mobile termination rates, and the impact of less "La Liga" content available in the wholesale offer since mid-August. These have been partially offset by an important recovery in roaming-in revenues at prepandemic levels and the growth of revenues from MVNOs.

The total amount of supplies, personnel expenses and other expenses (mainly external services and taxes) amounted 8,712 million euros in 2022, down 10.2% year-on-year in reported terms compared to 2021. The year-on-year evolution was mainly attributable to the restructuring costs recorded in 2021 (1,382 million euros). In organic terms, expenses increased by 4.6%.

- Supplies amounted to 5,008 million euros in 2022, up 8,0% year-on-year both in reported and organic terms compared to 2021, mainly attributable to higher handset costs in the year (from commercial campaigns offering free devices) as well as the costs related to IT revenue growth.
- **Personnel expenses** amounted to 1,765 million euros in 2022, down 44.9% year-on-year in reported terms compared to 2021, mainly attributable to the restructuring plan in 2021 (1,382 million euros). In organic terms, personnel expenses decreased by 6.1% due to savings from prior restructuring plan.
- Other expenses amounted to 1,939 million euros in 2022, up 3.9% year-on-year in reported terms compared to 2021, mainly attributable to the optimization of the distribution network (44 million euros) in 2021 (-2.3 p.p.). In organic terms, other expenses increased by 6.4% due mainly to higher energy costs.

OIBDA reached 4,588 million euros in 2022, a year-on-year increase of 35.9% in reported terms (-3.3% year-on-year in organic terms).

Depreciation and amortization amounted to 2,157 million euros in 2022, increasing by 0.2% year-on-year both in reported and organic terms.

Operating income amounted to 2,431 million euros in 2022, a year-on-year increase of 98.6% in reported terms. The year-on-year increase was mainly driven by the higher restructuring provision in 2021 than in 2022 (+108.2 p.p.) as well as the optimization of the distribution network in 2021 (+3.6 p.p.). Excluding these impacts, the decrease is 6.1%, impacted by lower service revenues and the impact of the higher energy costs for most of the year.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

VM₀2

After receiving the final approval from the UK Competition & Markets Authority (CMA), the joint venture between Liberty Global and Telefónica was established on June 1, 2021, and our former Telefónica United Kingdom segment was replaced by the new VMO2 segment. Telefónica ceased to fully consolidate the results of the entities that composed our former Telefónica United Kingdom segment in its consolidated financial statements and started to account for VMO2's results under the equity method. Therefore, since June 1, 2021, for purposes of the Group's consolidated results, the results of VMO2 are reflected under a single heading of the consolidated income statement, "Share of income of investments accounted for by the equity method". However, the VMO2 segment information included in this section is presented under management criteria, and shows 100% of the VMO2's results; Telefónica's actual percentage ownership of VMO2 is 50%.

The information of this segment in reported terms refers to the period from January 1 to December 31, 2022, compared with the period from June 1, 2021 to December 31, 2021. See additional information in: Note 2. Basis of presentation of the consolidated financial statements. "Agreement between Telefónica and Liberty Global plc to combine their operating businesses in the UK".

More than one year after the formation of VMO2, the company continues to integrate and innovate while investing heavily to expand and upgrade its fiber and 5G networks to provide the highest quality connectivity to more regions of the country.

The FTTP speed upgrade of the existing network is accelerating after the completion of tests in the first quarter of 2022, paving the way for the planned

deployment of fiber throughout the fixed network, which began in the fourth quarter of 2022 and is expected to be completed by 2028.

The "Lightning" project rollout now totals 2.9 million accesses, further reinforcing VMO2's gigabit leadership in the UK with speeds of 1.1 Gbps offered across its entire footprint of 16.1 million premises passed.

On July 29, 2022, T. Infra, Liberty Global plc ("Liberty Global") and InfraVia Capital Partners ("InfraVia") reached an agreement for the establishment of a joint venture that will deploy fiber-to-the-home (FTTH) to 5 million homes in the United Kingdom currently not reached by VMO2's network, with potential for expansion to an additional 2 million homes. The fiber network will offer wholesale FTTH access to telecommunications service providers, with VMO2 acting as the lead customer, as well as providing a range of technical services. Liberty Global and Telefónica jointly hold a 50% stake in the joint venture through a holding company, with InfraVia owning the remaining 50%.

VMO2 launched the "Better Connections Plan", its first sustainability strategy as a joint business, in May 2022 with a commitment to reduce carbon emissions, champion the circular economy, such as recycling devices and donating smartphones and tablets, and giving back to the community. The company has an ambitious target to achieve net zero carbon emissions across its operations, products and supply chain by the end of 2040, 10 years ahead of the Paris Agreement and the UK's target of net zero emissions by 2050.

The following table shows the evolution of accesses in VMO2 in 2022 compared to 2021:

ACCESSES

_			%Reported
Thousands of accesses	2021	2022	YoY
Broadband	5,626.7	5,661.6	0.6%
UBB	5,596.8	5,653.8	1.0%
Mobile accesses	32,276.8	33,831.3	4.8%
Prepay	8,119.1	7,968.3	(1.9%)
Contract	15,938.1	16,087.6	0.9%
loT	8,219.7	9,775.5	18.9%
Retail Accesses	46,021.1	46,926.8	2.0%
Wholesale Accesses	9,966.6	10,818.6	8.5%
Total Accesses	55,987.8	57,745.4	3.1%

The **total accesses base** grew 3.1% year-on-year and stood at 57.7 million as of December 31, 2022, mainly driven by the increase in the mobile accesses base, which grew 4.8% year-on-year and reached 33.8 million accesses.

The **contract mobile customer base** grew 0.9% year-on-year and reached 16.1 million accesses adding 149.5 thousand new accesses to the base in 2022. Churn remained stable at low levels.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The **prepay mobile customer base** decreased 1.9% year-on-year and totaled 8.0 million accesses declining 150.8 thousand accesses to the base in 2022.

IoT mobile customer base grew 18.9% year-on-year and reached 9.8 million accesses underpinned by the Smart Metering Programme roll out.

The fixed broadband base grew 0.6% year-on-year and reached 5.7 million accesses, adding 34.9 thousand new accesses in 2022. UBB accesses grew 1.0% year-on-year with a net gain of 57.0 thousand new accesses in 2022, supported by the increase in customer demand for higher

speeds. The company's average broadband speed is 301 Mbps and increased 41% year-on-year, five times higher than the national average.

The table below shows the evolution of of the VMO2 segment's results over the past two years (which, for the purposes of 2022, consists of the results obtained by VMO2 from January 1 to December 31, 2022, and, for the purposes of 2021, consists of the results obtained by VMO2 from June 1 (the date on which VMO2 was established) to December 31, 2021):

Millions of euros

VMO2	June 1 to December 30 2021	December 2022	% Organic YoY
Revenues	7,223	12,155	0.0 %
Mobile Business	4,122	6,938	1.7 %
Handset revenues	1,234	1,894	(0.9 %)
Fixed Business	2,782	4,639	(3.4 %)
Other	319	578	8.0 %
Other income	290	551	13.6 %
Supplies	(2,601)	(4,019)	(5.1 %)
Personnel expenses	(786)	(1,348)	(4.2 %)
Other expenses	(1,676)	(2,938)	2.3 %
OIBDA	2,450	4,401	6.3 %
Depreciation and amortization	(2,395)	(4,170)	1.3 %
Operating income (OI)	55	231	147.8 %
Share of income (loss) of investments accounted for by equity method	_	1	
Financial income	27	24	
Financial expenses	(504)	(1,020)	
Realized and unrealized gains on derivative instruments, net (1)	489	2,567	
Foreign currency transaction losses, net	(367)	(1,296)	
Net financial result	(355)	275	
Result before taxation	(300)	507	
Net result	(235)	492	
СарЕх	1,508	2,707	
OIBDA-CapEx	942	1,694	

(1) VMO2 entered into various derivative instruments to manage interest rate exposure and foreign currency exposure. Generally, VMO2 does not apply hedge accounting to its derivative instruments. Accordingly, changes in the fair values of most of its derivatives are recorded in the finance results of its consolidated income statement.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Analysis of results

Year-on-year changes are mainly explained by the fact that the VMO2 segment's results for 2022 include VMO2's results for the full year, whereas the VMO2 segment's results for 2021 include VMO2's results for seven months only. Further, the 2021 results were adversely affected by restructuring and integration costs incurred in connection with the incorporation of VMO2. Since both periods are not entirely comparable, the below explanations discuss the drivers of the 2022 and 2021 results separately.

The evolution of the results of 100% VMO2 in organic terms is detailed below, considering seven months of VMO2 in 2021 and the full year 2022.

In the full year 2022, **revenues** amounted to 12.155 million euros, growing flat (0.0%) in organic terms, driven by the macro-economic environment that offsets the price increases.

- Mobile Revenues amounted to 6,938 million euros in the year 2022 including 1,894 million euros from handset sales, growing 1.7% in organic terms, as a result of the price increases and the recovery of roaming revenues.
- Fixed business revenues amounted to 4,639 million euros in the year 2022, decreasing by 3.4% in organic terms, mainly due to decline in fixed-line ARPU impacted by macro conditions coupled with continued decline in B2B Fixed.
- Other revenues amounted to 578 million euros in the year 2022, growing 8% in organic terms, driven by the growth in digital services.

The total amount of supplies, personnel expenses and other expenses (mainly external services and taxes) was 8,305 million euros in 2022, down 2.4% year-on-year in organic terms compared to 2021. This decrease was mainly attributable to the realization of synergies and other cost efficiencies that resulted from the formation of the joint venture, which offset inflationary tendencies.

- Supplies amounted to 4,019 million euros in 2022, down 5.1% year-on-year in organic terms compared to 2021. This decrease was attributable to the realization of synergies, mainly due to the migration of the Virgin Mobile MVNO contract coupled with other cost efficiencies.
- Personnel expenses amounted to 1,348 million euros in 2022, down 4.2% year-on-year in organic terms compared to 2021 positively impacted by the realization of synergies that resulted from the formation of the joint venture, through the execution of restructuring plans aiming to deliver a single operating model and a leaner company.
- Other expenses amounted to 2,938 million euros in 2022, up 2.3% year-on-year in organic terms compared

to 2021. This increase was mainly attributable to inflationary tensions, mainly by the increase in energy prices.

OIBDA in the 2022 reached 4.401 million euros, growing 6.3% year-on-year in organic terms.

Depreciation and amortization amounted to 4.170 million euros in 2022, increasing by 1.3% year-on-year in organic terms.

Operating income (OI) amounted to 231 million euros in the year 2022, growing 147.8% year-on-year in organic terms, mainly thanks to the synergies, roaming recovery, price increase in fixed and mobile businesses and cost efficiencies that cushion current inflationary pressures.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

TELEFÓNICA GERMANY

The table below shows the evolution of accesses in Telefónica Germany over the past two years as of December 31 of such years:

ACCESSES

Thousands of accesses	2021	2022	%Reported YoY
Fixed telephony accesses (1)	2,179.6	2,211.6	1.5%
Broadband (2)	2,262.3	2,294.2	1.4%
UBB	1,856.8	1,939.1	4.4%
Mobile accesses (3)	45,693.6	44,306.6	(3.0%)
Prepay	18,973.0	16,274.8	(14.2%)
Contract	25,107.8	26,336.2	4.9%
loT ⁽⁴⁾	1,612.8	1,695.7	5.1%
Retail Accesses	50,219.3	48,891.6	(2.6%)
Total Accesses	50,219.3	48,891.6	(2.6%)

Notes:

In 2022, Telefónica Germany delivered strong operational and financial momentum. The company continues to expand its mobile market share in a rational yet dynamic environment on the back of core business strength building on strong O2 brand appeal including strong customer demand for the innovative "O2 Grow" tariff, network parity and ESG leadership.

Telefónica Germany's key milestones in 2022 were as follows:

- Sustained commercial momentum, with 1.2 million new clients in contract driven by O2 Free portfolio and strong traction of the successful tariff innovation "O2 Grow".
- Telefónica Germany successfully completed its threeyear "Investment for Growth' program", making strong progress with network modernization and 5G roll-out as well as fulfilling the coverage obligations of the German regulator. Telefónica Germany's 5G population coverage stood higher than 80% at year end, significantly over-achieving its initial target. The company aims for more than 90% coverage by yearend 2023 and believes it is on track to offer nationwide 5G coverage by no later than year-end 2025.

The **total access base** decreased 2.6% year-on-year and stood at 48.9 million at December 31, 2022, mainly driven by a 3.0% decrease in the mobile accesses base, which reached 44.3 million.

The **contract mobile customer base** grew 4.9% year-on-year and reached 26.3 million accesses, increasing the share over the total mobile accesses base to 59.4%. Net adds reached 1.2 million accesses driven by high O2 brand appeal thanks to the O2 Free tariff portfolio's gross

add momentum in the market and the continued solid contribution of partner brands. Churn was 1.3% in 2022 (+0.1 p.p. y-o-y) leveraging network and service quality and commercial success despite being impacted by the European Electronic Communications Code (EECC) introduction, as a result of which contract customers can terminate their contracts at any time.

The **prepay mobile customer base** decreased 14.2% year-on-year to 16.3 million accesses. This decrease was driven mainly by a combination of a technical base adjustment in December 2022 (which was revenue neutral) following the introduction of a stricter active SIM card definition and the ongoing German market trend of prepaid to postpaid migration leading to a net loss of 2.7 million prepay customers in 2022.

Broadband accesses reached 2.3 million accesses (up 1.4% y-o-y), with a net add of 31.9 thousand accesses in 2022, reflecting the success of the "O2 myHome" tariff portfolio with high-speed cable and fiber connections as well as FMS (Fixed Mobile Substitution) driving customer demand.

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.



- 1. Strategy and growth model
 2. Non-financial Information statement
 3. Risks

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

The table below shows the evolution of Telefónica Germany's results over the past two years:

Millions of euros

TELEFÓNICA GERMANY	2021	2022	% Reported YoY	% Organic YoY (1)
Revenues	7,765	8,224	5.9%	5.9%
Mobile Business	6,942	7,394	6.5%	6.5%
Handset revenues	1,450	1,652	13.9%	13.9%
Fixed Business	814	806	(1.0%)	(1.0%)
Other income	140	153	9.2%	9.2%
Supplies	(2,403)	(2,524)	5.0%	5.0%
Personnel expenses	(585)	(622)	6.2%	6.8%
Other expenses	(2,493)	(2,673)	7.2%	7.4%
OIBDA	2,424	2,558	5.5%	5.2%
Depreciation and amortization	(2,394)	(2,295)	(4.1%)	(4.1%)
Amortization of intangible assets, depreciation of property, plant and equipment	(1,809)	(1,659)	(8.3%)	(8.3%)
Amortization of rights of use	(585)	(636)	8.9%	8.9%
Operating income (OI)	30	263	n.m.	n.m.
CapEx	1,284	1,209	(5.8%)	(5.8%)
OIBDA-CapEx	1,140	1,349	18.3%	17.4%

n.m.: not meaningful

Notes: ${}^{(1)}$ See adjustments made to calculate organic variations below.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The table below shows 2022/2021 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures and the contribution of each item for which we have adjusted to our reported growth:

	YoY varia	ation	Contribution to reported growth (percentage points)
TELEFÓNICA GERMANY 2022	% Reported YoY	% Organic YoY	Restructuring costs
Revenues	5.9%	5.9%	_
Other income	9.2%	9.2%	_
Supplies	5.0%	5.0%	_
Personnel expenses	6.2%	6.8%	(0.5)
Other expenses	7.2%	7.4%	(0.1)
OIBDA	5.5%	5.2%	0.3
Depreciation and amortization	(4.1%)	(4.1%)	_
Operating loss	n.m.	n.m.	20.2
CapEx	(5.8%)	(5.8%)	_
OIBDA-CapEx	18.3%	17.4%	0.5

n.m.: not meaningful

Analysis of results

Total **revenues** were 8.224 million euros in 2022, a year-on-year increase of 5.9%, driven by the increase in the mobile business.

- **Mobile business revenues** totaled 7.394 million euros, increasing 6.5% y-o-y in reported terms. This reflects the sustained mobile service revenue momentum on the back of the ongoing strong commercial traction of the O2 brand and a solid contribution from partners, more than compensating for the negative impact from the accelerated Mobile Termination Rate glide path (which has led to a decrease in termination charges).
- Handset revenues (which are included in mobile business revenues) amounted to 1,652 million euros, increasing 13.9% y-o-y in reported terms due to continued good customer demand and availability of

devices at Telefónica Germany's, with customers increasingly opting for longer-term handset financing.

 Fixed business revenues were 806 million euros, decreasing 1.0% y-o-y in reported terms reflecting the lower European mobile termination rates in the carrier business, offset in part by the steadily growing share of high value customers in the fixed retail broadband accesses.

Mobile ARPU was 10.1 euros (+1.5% y-o-y) in reported terms due to the 6.2% y-o-y increase in prepay ARPU, offset in part by the 1.5% y-o-y decrease in contract ARPU reflecting the accelerated MTR glide path and higher focus on customer loyalty and retention. Data ARPU was 6.7 euros (+10.8% y-o-y), supported by the success of the O2 Free portfolio.

TELEFÓNICA GERMANY	2021	2022	% Reported YoY
ARPU (EUR)	10.0	10.1	1.5%
Prepay	6.3	6.7	6.2%
Contract ⁽¹⁾	13.5	13.3	(1.5%)
Data ARPU (EUR)	6.1	6.7	10.8%

⁽¹⁾ Excludes IoT.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The total amount of supplies, personnel expenses and other expenses (mainly external services and taxes) amounted to 5,819 million euros in 2022, increasing 6.2% year-on-year in reported terms. In organic terms, total expenses increased 6.3%.

- Supplies amounted to 2,524 million euros in 2022, increasing 5.0% year-on-year in reported terms. In organic terms, supplies costs would increase 5.0% mainly attributable to higher hardware cost of sales partially offset by positive effects from cuts in the MTR (Mobile Termination Rate) fees paid to other operators.
- **Personnel expenses** amounted to 622 million euros in 2022, increasing 6.2% year-on-year in reported terms, partially offset by lower restructuring costs in 2022 compared to 2021 (-0.5 p.p.). In organic terms, personnel expenses increased 6.8% mainly explained by the social security payments received from the Government in 2021 in connection with employees affected by the temporary closing of O2 shops during the enforced COVID-19 lockdown in the first half of 2021 and the salary increase in 2022, partially offset by a y-o-y lower number of full-time employees.
- Other expenses amounted to 2,673 million euros in 2022, increasing 7.2% year-on-year in reported terms compared to 2021, partially offset by lower restructuring costs in 2022 compared to 2021 (-0.1 p.p.). In organic terms, other expenses increased 7.4%, reflecting higher energy costs, technology transformation and commercial activity costs.

OIBDA totaled 2,558 million euros in 2022, increasing by 5.5% y-o-y in reported terms. In organic terms, OIBDA increased by 5.2% year-on-year.

Depreciation and amortization amounted to 2,295 million euros in 2022, decreasing 4.1% year-on-year in reported terms mainly as a result of the 3G switch-off at year-end 2021 in combination with the decision to shorten the useful life of assets in the context of technology optimization and modernization. This was partly offset by higher right of use asset amortization and new additions in IT-architecture added in the context of network modernization.

Operating income totaled 263 million euros in 2022, compared to 30 million euros in 2021. In organic terms, the year-on-year comparison was positively impacted by improved operational leverage in both, fixed and mobile, reflecting own brand momentum and efficiency gains and tight cost management.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

TELEFÓNICA BRAZIL

The table below shows the evolution of accesses of Telefónica Brazil over the past three years as of December 31 of such years:

ACCESSES

Thousands of accesses	2021	2022	%Reported YoY
Fixed telephony accesses ⁽¹⁾	7,506.5	7,012.7	(6.6%)
Broadband ⁽²⁾	6,262.0	6,419.6	2.5%
UBB	5,535.3	5,967.7	7.8%
FTTH	4,608.7	5,482.4	19.0%
Mobile accesses ⁽³⁾	83,912.3	97,973.0	16.8%
Prepay	34,287.3	39,305.9	14.6%
Contract	37,166.7	43,947.2	18.2%
loT	12,458.3	14,719.9	18.2%
Pay TV	1,114.8	966.3	(13.3%)
IPTV	916.8	898.3	(2.0%)
Retail Accesses	98,853.2	112,423.7	13.7%
Total Accesses	98,854.2	112,424.0	13.7%

Notes:

In 2022, Telefónica Brazil strengthened its leadership in the mobile value segment (38.9% market share as of December 31, 2022, source: ANATEL), both due to the organic growth of its customer base and the incorporation of Oi's accesses. In the fixed business, Telefónica Brazil continued to focus on the implementation of strategic technologies, such as fiber, which offset the decline in the fixed traditional business.

Telefónica Brazil reached 112.4 million accesses as of December 31, 2022, 13.7% higher than December 31, 2021 due to the sustained growth in the organic mobile business, in addition to the incorporation of the customer base of Oi, and the growth in FTTH, which more than offset the decline in the fixed voice business due to the continuous migration from fixed to mobile, encouraged by unlimited voice offers in the market, the contraction of the lower-value fixed broadband customer base and the loss of DTH customers as a result of the company's strategic decision to discontinue legacy technologies.

In the **mobile business**, Telefónica Brazil strengthened its leadership in terms of total accesses, with an access market share of 38.9% as of December 31, 2022 (source: ANATEL) growing both in terms of contract customers (+18.2% year-on-year, +11.5% excluding Oi) and of prepaid customers (+14.6% year-on-year, -1.2% excluding Oi). Telefónica Brazil's strategy continues to be focused on strengthening the high-value customer base, reaching a 43.5% contract ex IoT market share as of December 31, 2022 (source: ANATEL). Contract commercial offers are focused on data plans, with extra data allowances subject to subscription to digital invoice, it is complete with OTT services of their choice (for example, Disney+, Netflix,

Spotify, Vivo Meditação, Vivo Pay, Babbel, GoRead, among others). The Vivo Travel roaming service for voice and data is maintained in a selection of countries of America and Europe, depending on the plan. For higher-value customers, family plans are maintained, with a greater number of available apps. Additionally, Vivo Easy Prime was launched, with flexible proposals ranging from 7GB to 20GB and allowing customers to tailor their plans according to their needs. In the prepaid segment, Telefónica Brazil offers VIVO PreTurbo, which includes WhatsApp and unlimited minutes. All of this is supported by the interaction with our customers through the AURA virtual assistant in the Meu VIVO application, transforming the service channels to improve the user experience.

In the **broadband business**, Telefónica Brazil maintained its strategic focus on the deployment of fiber, reaching 28.6 million real estate units passed with FTTx access as of December 31, 2022, of which 23.3 million correspond to FTTH. Additionally, Telefónica Brazil continued to develop alternative deployment models to accelerate the expansion of fiber with lower CapEx and a reduced time to market. Telefónica Brazil reached 6.0 million connected homes of which 5.5 million homes connected with FTTH as of December 31, 2022, increasing 7.8% and 19.0% year-on-year, respectively. This growth offset the drop in other broadband accesses (xDSL), placing retail broadband accesses at 6.4 million as of December 31, 2022, increasing by 2.5% year-on-year.

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Traditional **fixed telephony accesses** decreased by 6.6% year-on-year due to the aforementioned fixedmobile substitution.

Pay TV customers fell to 1.0 million as of December 31, 2022, decreasing 13.3% year-on-year due to the strategic decision to discontinue the DTH service, whose customer base decreased 65.7% year-on-year.

The table below shows the evolution of Telefónica Brazil's results over the past two years:

Millions of euros				
TELEFÓNICA BRAZIL	2021	2022	% Reported YoY	% Organic YoY (1)
Revenues	6,910	8,870	28.4%	9.1%
Mobile Business	4,610	6,106	32.4%	12.6%
Handset revenues	415	573	38.2%	17.5%
Fixed Business	2,300	2,764	20.2%	2.1%
Other income	474	416	(12.3%)	(7.9%)
Supplies	(1,216)	(1,783)	46.7%	24.7%
Personnel expenses	(799)	(1,097)	37.3%	16.7%
Other expenses	(2,231)	(2,674)	19.8%	(2.1%)
OIBDA	3,138	3,732	18.9%	7.2%
Depreciation and amortization	(1,918)	(2,369)	23.6%	5.0%
Amortization of intangible assets, depreciation of property, plant and equipment	(1,488)	(1,807)	21.4%	3.2%
Amortization of rights of use	(430)	(562)	31.1%	11.4%
Operating income (OI)	1,220	1,363	11.7%	11.2%
CapEx	2,069	1,795	(13.2%)	9.7%
OIBDA-CapEx	1,069	1,937	81.2%	5.1%

Notes: $^{(1)}$ See adjustments made to calculate organic variations below.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The table below shows 2022/2021 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

	YoY var	iation	Contribution to reported growth (percentage points)							
TELEFÓNICA BRAZIL 2022	% Reported YoY	% Organic YoY	Exchange rate effect	Judicial decision PIS/ COFINS	Contingencies	Spectrum acquisition	Capital gains/losses on sale of companies			
Revenues	28.4%	9.1%	19.3	_	_	_	_			
Other income	(12.3%)	(7.9%)	13.2	_	_	_	(19.0)			
Supplies	46.7%	24.7%	22.0	_	_	_	_			
Personnel expenses	37.3%	16.7%	20.6	_	_	_	_			
Other expenses	19.8%	(2.1%)	18.0	10.9	(6.9)	_	_			
OIBDA	18.9%	7.2%	17.8	(7.7)	4.9	_	(2.9)			
Depreciation and amortization	23.6%	5.0%	18.5	_	_	_	_			
Operating income (OI)	11.7%	11.2%	16.8	(19.9)	12.6	_	(7.4)			
CapEx	(13.2%)	9.7%	13.0	_	_	(32.7)	_			
OIBDA-CapEx	81.2%	5.1%	27.2	(22.7)	14.4	63.2	(8.4)			

Analysis of results

In 2022, **revenues** totaled 8,870 million euros, growing by 28.4% in reported terms, mainly due to the appreciation of the Brazilian real (+19.3 p.p.). In organic terms, the year-on-year growth was 9.1%, mainly due to service revenues, leveraged on mobile business – both organic and by the incorporation of the business acquired from Oi –, by businesses associated with new technologies (FTTH, IPTV and Digital Services) and the handset sales, which offset the erosion of revenues associated with voice and traditional accesses.

• **Mobile business revenues** totaled 6,106 million euros in 2022, up 32.4% in reported terms due mainly to the appreciation of the Brazilian real (+19.9 p.p.). In organic terms, mobile business increased by 12.6%, as a result of higher commercial activity and the incorporation of Oi accesses.

• **Fixed business revenues** totaled 2,764 million euros in 2022, growing by 20.2% in reported terms due mainly to the impact of the appreciation of the Brazilian real

(+18.0 p.p.). In organic terms, fixed telephony revenues grew by 2.1% mainly as a result of higher FTTH and IT revenues.

Mobile ARPU increased by 12.9% year-on-year in reported terms due mainly to the appreciation of the Brazilian real. In local currency, mobile ARPU decreased by 4.1% y-o-y as a result of a customer mix with a higher participation of hybrid plans together with the inclusion of Oi accesses, with lower ARPU.

TELEFÓNICA BRAZIL	2021	2022	% Reported YoY	%Local Currency YoY
ARPU (EUR)	4.2	4.7	12.9%	(4.1%)
Prepay	2.0	2.3	17.7%	0.0%
Contract (1)	7.4	8.3	12.3%	(4.5%)
Data ARPU (EUR)	3.1	3.7	20.2%	2.1%

⁽¹⁾ Excludes IoT.

The total amount of supplies, personnel expenses and other expenses (mainly external services and taxes) amounted to 5,554 million euros in 2022, growing 30.8% year-on-year in reported terms compared to 2021. In

organic terms, expenses increased by 8.9% mainly due to higher personnel expenses due to inflation, higher subsidies and commissions due to higher commercial



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

activity as well as the addition of the business acquired from Oi.

- **Supplies** amounted to 1,783 million euros in 2022, increasing 46.7% year-on-year in reported terms, impacted by the appreciation of the Brazilian real (+22.0 p.p.). In organic terms, supplies increased by 24.7% due to higher commercial activity.
- **Personnel expenses** amounted to 1,097 million euros in 2022, increasing 37.3% year-on-year in reported terms compared to 2021, impacted by the appreciation of the Brazilian real (+20.6 p.p.). In organic terms, personnel expenses increased by 16.7% year-on-year, affected by a higher-than-expected salary increase due to inflation and higher commercial activity in B2B.
- Other expenses amounted to 2,674 million euros in 2022, increasing 19.8% year-on-year in reported terms compared to 2021, impacted mainly by the appreciation of the Brazilian real (+18.0 p.p.). In organic terms, other expenses decreased by 2.1% year-on-year as a result of cost efficiencies due to digitalization.

OIBDA stood at 3,732 million euros in 2022, increasing 18.9% in reported terms. In organic terms, OIBDA increased by 7.2% year-on-year.

Depreciation and amortization amounted to 2,369 million euros in 2022, increasing 23.6% in reported terms affected by the appreciation of the Brazilian real (+18.5 p.p.). In organic terms, depreciation and amortization grew by 5.0% year-on-year due to the acquisition of new 5G licenses in 2021 and the consolidation of the Oi assets.

Operating income amounted to 1,363 million euros in 2022, increasing 11.7 % in reported terms. This variation is mainly due to the impact of the appreciation of the Brazilian real (+16,8 p.p.). In organic terms, the operating income grew by 11.2%, associated with greater commercial activity and the integration of Oi's accesses.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

TELEFÓNICA HISPAM

The table below shows the evolution of accesses of Telefónica Hispam over the past three years as of December 31 of such years:

ACCESSES

Thousands of accesses	2021	2022	%Reported YoY
Fixed telephony accesses (1)	7,034.1	6,375.7	(9.4%)
Broadband	5,756.9	6,030.6	4.8%
UBB	4,432.2	5,155.0	16.3%
FTTH	4,259.0	5,053.9	18.7%
Mobile accesses	94,612.6	95,579.7	1.0%
Prepay	66,075.3	65,340.7	(1.1%)
Contract	23,799.6	24,771.9	4.1%
IoT	4,737.6	5,467.2	15.4%
Pay TV	2,905.3	2,899.8	(0.2%)
IPTV	913.2	1,384.7	51.6%
Retail Accesses	110,395.5	110,958.9	0.5%
Total Accesses	110,414.7	110,970.7	0.5%

Notes

Telefónica Hispam's **total accesses** amounted to 111.0 million as of December 31, 2022 (+0.5% year-on-year), as a result of the increase in mobile and FTTH accesses.

Mobile accesses amounted to 95.6 million, increasing by 1.0% y-o-y mainly due to the higher postpay customer base

- Contract accesses increased by 4.1% year-on-year due to the increase in accesses in Mexico (+14.7%), Colombia (+8.4%) and Ecuador (+6.3%), partially offset by the decrease in Venezuela (-6.3%). This evolution was mainly driven by the commercial activity recovery and the attractive commercial offers.
- **Prepay accesses** decreased by 1.1% year-on-year, with a net loss of 735 thousand accesses as of December 31, 2022. The year-on-year accesses evolution was greatly impacted by the loss of accesses in Mexico (-921 thousand accesses) due to a higher number of disconnected non-active customers. In addition, accesses in Argentina decreased by 696 thousand. The year-on-year decrease was partially offset by an increase in accesses in Colombia (+1.3 million accesses), and to a lesser extent Ecuador (+155 thousand accesses).

Fixed accesses stood at 6.4 million as of December 31, 2022 (-9.4% year-on-year) with a net loss of 658 thousand accesses due to the continued erosion of the traditional fixed business.

Fixed broadband accesses amounted to 6.0 million as of December 31, 2022 (+4.8% year-on-year). The penetration of FBB accesses over fixed accesses stood at 94.6% (+12.7 p.p. y-o-y), as a result of the focus on Ultra Broadband (UBB) deployment in the region reaching 5.2 million connected accesses (+16.3% y-o-y) and 18.8 million premises. The penetration of UBB accesses over fixed broadband accesses stood at 85.5% (+8.5 p.p. y-o-y).

Pay TV accesses stood at 2.9 million as of December 31, 2022, with a decrease of 0.2% y-o-y as a result of the net loss of 5.5 thousand customers, mainly as a result of the lower Direct-To-Home (DTH) technology accesses (-366 thousand accesses) due to the change in commercial strategy as well as the lower cable access base (-111.5 thousand accesses), partially offset by the increase in IPTV accesses (+471.5 thousand accesses), in which the Company is placing strategic focus.

⁽¹⁾ Includes "fixed wireless" and Voice over IP accesses.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The table below shows the evolution of Telefónica Hispam's results over the past two years:

				Millions of euros
% Organic YoY (1)	% Reported YoY	2022	2021	TELEFÓNICA HISPAM
3.7%	9.3%	9,141	8,362	Revenues
3.8%	10.3%	6,003	5,444	Mobile Business
5.7%	10.2%	1,541	1,398	Handset revenues
3.9%	7.9%	3,138	2,907	Fixed Business
51.1%	(23.0%)	448	582	Other income
13.5%	18.5%	(3,384)	(2,856)	Supplies
2.8%	2.3%	(1,201)	(1,174)	Personnel expenses
(2.1%)	(4.7%)	(3,046)	(3,196)	Other expenses
2.7%	14.0%	1,958	1,718	OIBDA
(9.0%)	(3.9%)	(1,799)	(1,873)	Depreciation and amortization
(13.0%)	(7.3%)	(1.345)	(1 451)	Amortization of intangible assets, depreciation of property, plant and equipment
5.8%	7.6%	(454)		Amortization of rights of use
n.m	c.s.	159	(155)	Operating loss
3.6%	8.1%	1,058	978	CapEx
2.0%	21.6%	900	740	OIBDA-CapEx
	c.s. 8.1%	159 1,058	978	depreciation of property, plant and equipment Amortization of rights of use Operating loss CapEx

c.s.: change of sign n.m.: not meaningful

The table below shows 2022/2021 variations in reported and organic terms (the latter, calculated in accordance with the adjustments referred to above) of certain line

items of the income statement and other measures, and the contribution of each item for which we have adjusted to our reported growth:

	YoY var	iation	Contribution to reported growth (percentage points)							
TELEFÓNICA HISPAM 2022	% Reported YoY	% Organic YoY	Exchange rate effect	Perimeter changes	Capital gains/losses on sale of companies	Reported var. in hyperinflation ary countries	Restruct uring cost	Spectru m acquisiti on	Transfor mation T. Mexico	Impair- ment of goodwill and other assets
Revenues	9.3%	3.7%	4.7	0.6	_	0.3	_	_	_	-
Other income	(23.0%)	51.1%	1.1	_	(42.2)	2.8	_	_	_	_
Supplies	18.5%	13.5%	5.1	_	_	(0.1)	_	_	_	_
Personnel expenses	2.3%	2.8%	2.7	_	_	3.6	(6.4)	_	_	_
Other expenses	(4.7%)	(2.1%)	4.5	2.3	_	0.3	_	_	_	(9.9)
OIBDA	14.0%	2.7%	4.6	(1.5)	(14.3)	(0.6)	4.4	_	_	18.4
Depreciation and amortization	(3.9%)	(9.0%)	4.4	_	_	3.8	_	_	(3.5)	_
Operating loss	c.s.	n.m.	2.1	17.1	158.4	51.7	(49.2)	_	(42.9)	(203.8)
CapEx	8.1%	3.6%	3.2	(0.5)	_	2.4	_	(0.1)	_	_
OIBDA-CapEx	21.6%	2.0%	6.4	(3.0)	(33.2)	(4.5)	10.3	0.1	_	42.7

c.s.: change of sign n.m.: not meaningful

Notes:

(1) See adjustments made to calculate organic variations below.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Analysis of results

Revenues amounted to 9,141 million euros in 2022, increasing 9.3% year-on-year in reported terms. This increase was attributable in part to the foreign exchange effects (+4.7 p.p.), impact of changes in the scope of consolidation (+0.6 p.p.), and the reported variation of companies in hyperinflationary countries (+0.3 p.p.). In organic terms, revenues increased by 3.7% year-on-year, mainly driven by revenue growth due to handset sales, the B2C (Business to Customer) specially postpaid and B2B (Business to Business) service revenue evolution, as well as higher fixed voice revenues, broadband and new services

Mobile business revenues amounted to 6,003 million euros in 2022, increasing 10.3% year-on-year in reported terms. This increase was due to foreign exchange effects (+5.5 p.p.) and the reported variation of companies in hyperinflationary countries (+1.0 p.p.). In organic terms, mobile business revenues increased by 3.8% year-on-year, mainly driven by revenues growth in handset sales as a result of commercial activity recovery and higher postpaid revenues in B2C (Business to Customer). The performance by country was:

- In Argentina, mobile revenues amounted to 1,378 million euros in 2022, increasing 2,7% year-on-year in reported terms. Excluding the impact of foreign exchange effects (-43.9 p.p.), mobile revenues increased 46.5% mainly due to higher service revenues as a result of the increase in accesses and continued tariff upgrades.
- In Chile, mobile revenues amounted to 969 million euros in 2022, decreasing 3.3% year-on-year in reported terms. Excluding the impact of foreign exchange effects, which reduced growth by 2.2 percentage points, mobile revenues decreased by 1.1% year-onyear, mainly due to the lower handset revenues and prepaid mobile revenues, partially offset by higher postpaid revenues.
- In Peru, mobile revenues amounted to 923 million euros in 2022, increasing 21.3% year-on-year in reported terms, benefited from the foreign exchange effects which increased growth by 14.7 percentage points. Excluding this impact, mobile revenues increased by 6.7% year-on-year, mainly driven by higher service revenues, as a result of the higher postpaid client base, and the price increase carried out in 2022, and to a lesser extent due to higher handset revenues, as a result of the higher commercial activity.
- In Colombia, mobile revenues amounted to 891 million euros in 2022, increasing 11.8% year-on-year in reported terms. Excluding the impact of the foreign exchange effects (-0.7 p.p.), mobile revenues increased by 12.5% driven by the higher handset revenues, postpaid revenues and prepaid B2C (Business to Customer) revenues due to higher commercial activity and favourable churn evolution. The higher revenues were

also impacted by higher interconnection and international roaming revenues.

 In Mexico, mobile revenues amounted to 1,172 million euros in 2022, increasing 16.1% year-on-year in reported terms. Excluding the impact of the foreign exchange effects (+13.8 p.p.), these revenues increased by 2.3% due to higher service revenues as a result of the good performance in postpaid B2C (Business to Customer) revenues and to a lesser extent due to higher handset revenues

Fixed business revenues amounted to 3,138 million euros in 2022, increasing 7.9% year-on-year in reported terms. This growth was due to foreign exchange effects (+3.2 p.p.), the impact of changes in the scope of consolidation (+1.7 p.p.), partially offset by reported variation of companies in hyperinflationary countries (-0.9 p.p.). Excluding these impacts, these revenues increased by 3.9%, driven by higher broadband, new services, access and voice revenues in Colombia, Chile and Peru that more than offset the decrease in TV revenues in Peru.

The total amount of supplies, personnel expenses and other expenses (mainly external services and taxes) were 7,631 million euros in 2022, up 5.6% year-on-year in reported terms compared to 2021. This increase was mainly attributable to foreign exchange effects, the reported variation of companies in hyperinflationary countries and higher network costs. In organic terms, expenses increased by 5.2%.

- Supplies amounted to 3,384 million euros in 2022, up 18.5% year-on-year in reported terms compared to 2021. This increase was mainly attributable to foreign exchange effects (+5.1 p.p.). In organic terms, supplies increased by 13.5% due to direct costs associated to our network.
- Personnel expenses amounted to 1,201 million euros in 2022, up 2.3% year-on-year in reported terms compared to 2021. This increase was mainly attributable to the reported variation of companies in hyperinflationary countries (+3.6 p.p.) and foreign exchange effects (+2.7 p.p.), partially offset by the year-on-year decrease in restructuring costs in the region (-6.4 p.p.). In organic terms, personnel expenses increased by 2.8%, although below inflation due to operational efficiencies.
- Other expenses amounted to 3,046 million euros in 2022, down 4.7% year-on-year in reported terms compared to 2021. This decrease was mainly attributable to higher goodwill impairment in Peru in 2021 compared to the asset impairment in Argentina in 2022 (-9.9 p.p.). In organic terms, other expenses decreased by 2,1% due to efficiency projects.



1. Strategy and growth model

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

OIBDA reached 1,958 million euros in 2022, increasing 14.0% year-on-year in reported terms (+2.7% in organic terms).

Depreciation and amortization amounted to 1.799 million euros in 2022, decreasing 3.9% year-on-year in reported terms mainly attributable to the transformation of the operational model in Telefónica Mexico (-3.5 p.p.), partially offset by the foreign exchange effects (+4.4 p.p.) and the reported variation of companies in hyperinflationary countries (+3.8 p.p.). In organic terms, depreciation and amortization decreased by 9.0% y-o-y due to lower depreciation and amortization base in Telefonica Mexico and to a lesser extent in Telefónica Chile

Operating Income (OI) was 159 million euros in 2022 (compared to a loss of 155 million euros in 2021). This result is mainly explained by the lower depreciation and amortization base in Telefonica Mexico due to the transformation of the operational model, the recording of goodwill impairment in 2021 (relating to Telefónica del Perú) in a greater amount than the other assets impairment recorded in 2022 (relating to Telefónica Argentina), the higher restructuring costs in the region in 2021 than in 2022 and the reported variation of companies in hyperinflationary countries, partially offset by higher capital gains on sales of fiber optic assets in 2021 than in 2022. In organic terms, the year-on-year change was positively affected by higher revenues and lower depreciation and amortization.

Below is additional information by country:

- In Argentina, operating loss was 270 million euros in 2022 (operating loss of 116 million euros in 2021). The yo-y evolution in the operating loss was impacted by the other assets impairment and the higher depreciation and amortization recorded in 2022, which more than offset the higher revenues.
- In Chile, operating income was 179 million euros in 2022, decreasing by 69.4% year-on-year in reported terms from 583 million of operating income in 2021, which was mainly due to the capital gain on the sales of fiber optic assets in 2021, despite the positive impact of the capital gain on the sale of the data center in 2022, higher revenues and lower amortizations.
- In Peru, operating income was 60 million euros in 2022 (compared to an operating loss of 56 million euros in 2021). This performance is mainly due to higher revenues and expenses efficiencies, offset in part by the increase in depreciation and amortization.
- In Colombia, operating income reached 261 million euros in 2022 (compared to 99 million euros in 2021), as a result of the higher revenues and non-commercial cost efficiencies and lower depreciation and amortization.

 In Mexico, operating loss was 176 million euros in 2022 (compared to an operating loss of 339 million euros in 2021). The better performance was due in part to the lower amortization base, due to the transformation of the operational model in Mexico.

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report5. Annual Report on Remuneration of the Directors
- 6. Other information

Non-Financial Information Statement

Building a greener future

- **2.1.** Responsibility with the environment
- 2.2. Energy and climate change
- 2.3. Circular Economy
- **2.4.** Digital solutions for the green transition

Helping society thrive

- 2.5. Human Capital
- **2.6.** Attraction, retention and talent development
- 2.7. Diversity and Inclusion
- 2.8. New ways of working
- 2.9. Safety, health and well-being at work
- 2.10. Digital Inclusion

- 2.11. Customers
- **2.12.** Responsibility in our products and services
- 2.13. Sustainable Innovation
- **2.14.** Contribution and impact on communities
- 2.15. Human Rights

Leading by example

- **2.16.** Governance and culture of sustainability
- 2.17. Ethics and compliance
- 2.18. Fiscal transparency
- 2.19. Privacy and security
- 2.20. Responsible supply chain management







- Strategy and growth model
 Non-financial Information statement _Building a greener future

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









Building a greener future





- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.1. Responsibility with the environment

GRI 2-23 3-3

KEY POINTS



We are committed to minimising our environmental impact and being a decarbonised and circular company.



All our operators have implemented externally-certified environmental management systems.



We have verified 54% of our solutions as Eco Smart due to the efficiencies and environmental benefits they generate for our customers.

2.1.1. Vision

Companies play a key role in protecting the environment, both in terms of the impacts they can cause and the environmental risks and opportunities which affect and influence the value of companies.

Customers, investors and employees are significantly more environmentally conscious, which is reflected in their need to carry out their activities in a more sustainable way and to seek partnerships with companies that have incorporated these values into their strategy.

At Telefónica, we are striving to ensure our environmental impact is minimal and are committed to decoupling the growth of our business from our environmental footprint. Furthermore, we believe it is vital to enhance the synergies between the digital, green and energy transition in order to achieve a competitive, resilient and sustainable economy. This is why digitalisation becomes a crucial tool in facing environmental challenges: climate change, circular economy, water management and biodiversity.

This commitment is part of the Company's general strategy, for which the Board of Directors is ultimately responsible. Our performance in this area is regularly supervised by the Board's Sustainability and Quality Committee as well as by the Responsible Business Office, made up of the global areas that execute said strategy alongside the business units.

We have global environmental and energy management policies and take action at all levels of the organisation. The environment is a central issue throughout the Company, involving both operational and management areas as well as business and innovation areas. The emissions reduction targets are part of the variable remuneration of all the Company's employees, including the Executive Committee.

We are working towards a world where digitalisation becomes a key ally in the green transition.



2.1.2. Targets

Our major targets are to:

- · Achieve net zero emissions by 2040, including our value chain. To this end, we set interim targets for 2030, such as reducing 80% of our Scope 1 and 2 CO₂ emissions compared to 2015 and reducing 56% our Scope 3 CO₂ emissions compared to 2016.
- · Continue to use 100% renewable electricity in our main markets and also reach 100% globally by 2030.



- 1. Strategy and growth model
- Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

 Be a zero-waste company by 2030, through ecodesign, procurement with circular criteria, reuse and recycling.

2.1.3. Policies and management systems

The Environmental Management System (EMS) in accordance with **ISO 14001** is the model we have chosen to monitor the environmental impact of our activities. **All our operators have an externally-certified EMS**.

We have a series of global standards (in addition to our environmental, energy management and supply chain sustainability policies) that guide the Company in improving its environmental performance and that incorporate a life-cycle perspective. This allows us to integrate the environmental aspects of our value chain and involve our employees in environmental management.

Having in place certified EMSs allows us to ensure that we successfully control and comply with the environmental legislation applicable in each of our markets, with this **preventive model of compliance** being associated with the Company's overall compliance process. We were not subject to any significant environmental penalties in 2022.

We manage all our main environmental aspects, such as energy and waste, but also others such as noise, biodiversity and water, in order to reduce progressively our environmental impact.

We provide our employees with specific training on environmental management systems. During the last year, some 200 employees with duties related to Environmental Management Systems participated in a dedicated 4-hour training, with the aim of increasing their competence, training and awareness and contributing to the improvement of the organisation's environmental performance.

We maintain the Energy Management Systems certification (**ISO 50001**) for our operations in Spain and Germany, and in 2022 we extended it to other operations, such as Chile and Brazil (the last one with two certified operating centres, including the Eco Berrini headquarters).

2.1.4. Risks and opportunities

The Company's environmental and climate-related risks are controlled and coordinated under the Telefónica Group's global risk management model, based on the **precautionary principle.**

The main risk of our environmental aspects is related with the wide geographical spread of our infrastructure, which is controlled through environmental management based on standardised procedures, certified according to the ISO 14001 standard. We analyse climate-related risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These are specifically discussed in chapter 2.2. Energy and climate change.



For further information, see chapter 2.2. Energy and climate change.

In 2022, the Telefónica Group contracted, both locally and globally, several insurance programmes in order to mitigate the possible occurrence of any incident arising from the risks of environmental liability and/or natural disasters, so as to guarantee business continuity. We currently have fully comprehensive insurance and coverage for all risks, material damages and loss of profit, in order to cover any material losses, damage to assets and loss of income and/or customers, among other problems, as a consequence of natural events. We also have insurance to cover the environmental liabilities set out by applicable laws and regulations. Both policies consist of limits, sub-limits and hedges appropriate to the risks and exposures of Telefónica and its Group of companies.

However, the opportunities arising from sound environmental management outweigh the risks. By being proactive, establishing preventive measures and integrating environmental criteria in decision-making, we manage to increase the Company's sustainable financing, reduce our dependence on fossil fuels and reduce our CO_2 emissions in absolute terms, despite the increase in network traffic. We also manage to increase reuse and recycling rates, promote eco-design and purchasing based on circular criteria, and help to minimise the environmental footprint of our customers with our Eco Smart products and services.

2.1.5. Action plan and commitments

Our environmental strategy seeks to minimise our impact on the planet and maximise the environmental benefits generated by our digital products and services. The strategy is built around three levels

Within our report we have broken down the three levels of the environmental strategy into four chapters.

The first level is related to the responsibility we assume as a company that is committed to our environment, to ensure compliance with environmental legislation, to manage our risks and opportunities, to implement management systems, to set stringent environmental targets and to carry out proactive advocacy work on environmental issues. The first level of the strategy is detailed in chapter 2.1. Responsibility with the environment



- 1. Strategy and growth model
- 2. Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The second level concerns the Company's decarbonisation and circularity, thanks to the use of renewable energies, the implementation of energy efficiency projects, extending the lifespan of electronic equipment, reducing the consumption of resources and reintroducing our waste as raw materials in the value chain through recycling. The second level of the strategy is detailed in chapters 2.2.Energy and climate change and 2.3. Circular economy.



For further information, see chapter 2.2. Energy and climate change.



For further information, see chapter 2.3. Circular economy.

Lastly, the **third level** is linked to our *raison d'être*, the **digitalisation of our customers**, through services with a positive impact on the environment thanks to connectivity technologies such as IoT, cloud and big data. The third level is detailed in chapter **2.4. Digital solutions for the green transition.**



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

In addition, as part of the integration of the environment into the Company's strategy, we are progressively increasing the Company's sustainable financing.

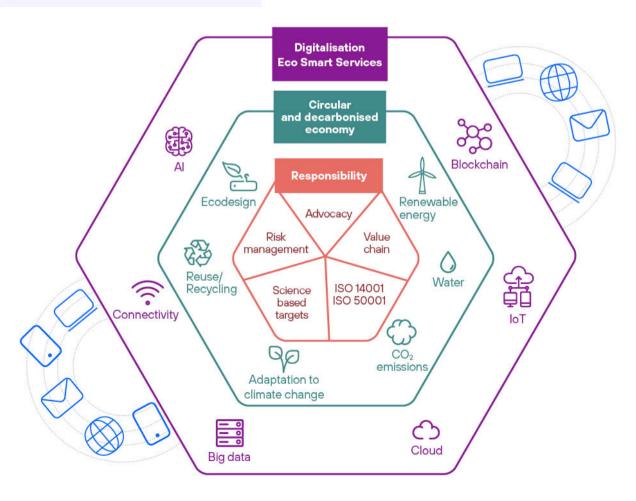


For further information, see chapter 1.7. Sustainable finance.

Environmental Strategy

We reduce our impact and provide solutions to major environmental challenges through digitalisation.







- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.1.6. Responsible network and biodiversity

GRI 3-3

Aiming at providing top-quality service while promoting care for the environment, we successfully monitor environmental risks and impacts related to network management throughout its life cycle. In 2022, we invested around € 19 million towards this goal (similar to the investment in 2021).

We work to make our network the most eco-efficient and environmentally responsible, promoting the circular economy in all our assets. We have managed to keep electricity consumption stable, despite increased digitalisation, thanks to our energy efficiency and renewable energy plans. In addition, our circular economy strategy has enabled us to reuse 229,907 units of network equipment and to recycle 98% of our waste in 2022.

In order to minimise the impact of network deployment, we implement best practices, such as noise insulation measures when necessary and co-location of our facilities with other operators. This enables us to optimise land occupation and reduce visual impact, energy consumption and waste generation

RESPONSIBLE NETWORK LIFE CYCLE

PLANNING AND CONSTRUCTION	
Environmental licences and permits	1,199
Visual impact reduction measures	104
Base stations with renewable energy	485
OPERATION AND MAINTENANCE	
Energy efficiency and managements projects	128
Renewable electricity in own facilities (%)	82
GHG emissions (Scopes 1+2) (tCO ₂ e)	353,346
Energy consumption per traffic (MWh/PB)	49
DISMANTLING	
Network equipment reused (units)	229,907
Hazardous waste (t)	2,566
Total waste recycled (%)	98

Regarding **biodiversity**, the impact of our facilities is very limited. Nevertheless, we conduct environmental impact assessments and implement corrective measures when necessary, for instance in protected areas.

98% of our facilities are located in habitats with low or very low biodiversity value.



To analyse the impact of the Group's infrastructure on biodiversity in greater detail, a Geographic Information System was used to put together the area occupied by each type of infrastructure and the different layers of information about protected areas and species obtained from renowned international organisations, such as the International Union for Conservation of Nature (IUCN).

This allows us to determine the quality of habitats where any of the Company's infrastructure is located and to assess the potential impact on biodiversity. The main finding is that 98% of Telefónica's facilities are located in habitats with low or very low biodiversity value, such as urban areas, and we have no facilities located in habitats of major importance, which means that the organisation has a relatively insignificant direct impact on biodiversity.

Furthermore, aware of the importance of enhancing the urban biodiversity of our sites, the facilities of Telefónica District (headquarters in Spain) have participated in the European LIFE BooGI-BOP project, which aims to provide companies with solutions aimed at improving biodiversity in their business facilities. The analysis found the design and management of the site's green areas to be excellent and recommended some additional measures related to habitat enhancement or information for employees regarding the biodiversity improvement measures implemented.

In addition, in 2022, we joined the **World Economic Forum's 1t.org initiative**, which seeks to accelerate nature-based solutions and mobilise companies to conserve, restore and grow one trillion trees by 2030. Aligned with our target of achieving net zero emissions by 2040, as well as neutralising unabated Scope 1 and 2 emissions from our main operations by 2025, we have committed, under the 1t.org project, to grow and conserve 1.5 million trees between 2020 and 2030. This commitment will not only avoid and absorb 700,000 tonnes of CO_2 from the atmosphere in 10 years, but will also help to conserve forest ecosystems, reducing biodiversity loss.

3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

2.1.7. Progress in 2022: Main indicators

GRI 301-3, 302-3, 303-5, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4

The trend of our environmental performance is displayed in the following summary of indicators:

Telefónica's environmental performance, at a glance

		2021	2022	Trend
	Management			
	Certified activity according to ISO 14001 (%)	100	100	•
Ö	Energy			
@	Energy consumption (MWh)	6,106,625	6,106,255	_
_	Renewable electricity in own facilities (%)	79.4	82.3	_
	Energy consumption per traffic (MWh/PB)	54	49	_
ν ΛΛ	Emissions			
22 7	Scope 1 GHG emissions (tCO ₂ e)	183,231	131,809	_
	Scope 2 GHG emissions - market based (tCO ₂ e)	353,506	221,537	_
	Scope 3 GHG emissions (tCO ₂ e)	2,072,159	1,930,051	_
	Emissions offsets (tCO ₂ e)	63,018	35,537	_
Se,	Avoided emissions			
<u> </u>	Emissions avoided by customers (MtCO ₂ e) ¹	8.7	81.7	A
\wedge	Water			
	Water consumption (ML)	2,949	3,194	_
CT	Circular economy			
	Waste generated (t)	64,059	52,906	_
	Non-hazardous waste (t)	60,791	50,340	_
	Hazardous waste (t)	3,268	2,566	_
	Waste recycled (%)	98	98	•
	Equipment reused (t)	2,207	5,557	A
30	Biodiversity			
70				

(F)

MILESTONES

- → We reduced our total GHG emissions (Scopes 1, 2 and 3) by 45% in just seven years.
- → Thanks to eco-efficiency measures, we recycled 98% of our waste.
- → We avoided 81.7 million tonnes of CO2 for our customers thanks to our products and services.

¹ 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. For further information, see chapter "2.4. Digital solutions for the green transition".



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.2. Energy and climate change

KEY POINTS



Managing climate change is part of our business strategy, and we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



We are committed to achieving net-zero emissions by 2040 across the value chain (as validated by the SBTi's Net-Zero Standard). Our Climate Action Plan lays out the roadmap for achieving this target.



We have reduced our Scope 1 + 2 carbon emissions by 80% and our Scope 3 emissions by 32%.

2.2.1. Vision

Intensive energy use in the current economic model is one of the main causes of climate change and most pressing challenges we are facing. In their latest report, the UN expert panel warned that the world must cut emissions by 45% before 2030 and achieve net-zero emissions by 2050 on a global scale. Organisations like the World Economic Forum identify climate change as the major risk factor for the world's economy and the investment world is increasingly aware of the need to focus on sustainable investments.

Energy, mainly electricity, is a vital resource for the development of our business. Over 95% of it comes from providing our services through the telecommunications network. Therefore our vision is aligned with our strategy and stakeholder demands, incorporating energy management, mitigation, adaptation and the opportunities arising from climate change.

Digitalisation is a must for the green transition.





This is why we develop products and services that enable our customers and other sectors to move towards decarbonisation.



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

We are working to continue leading in this area and forming part of the CDP Climate Change A List, in which we have been included for the past nine years in a row.



For further information on the Task Force on Climate-related Financial Disclosures (TCFD), see chapter 2.21.8. Appendix.

2.2.2. Targets

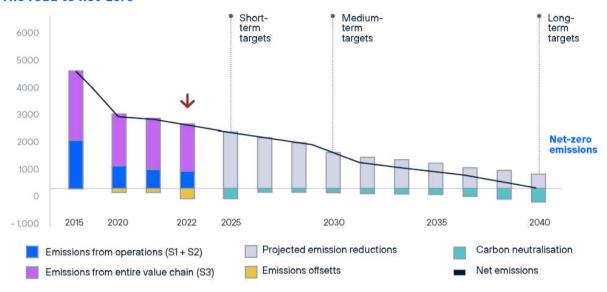
Our targets, validated by the Science Based Targets initiative (SBTi) under the new Net-Zero Standard, aim to reduce emissions consistent with the 1.5°C scenario across our entire operation, including the value chain:

- · Achieving net-zero emissions by 2040 globally, including the value chain.
- Reducing 80% of Scope 1 and 2 CO₂ emissions globally by **2030** and **90%** in our main markets by 2025, from a 2015 base year.
- Reducing **56%** of CO_2 emissions in our **value chain** (Scope 3) by 2030, from a 2016 base year.
- Reducing 90% of total CO₂ emissions (Scope 1, 2 and 3) by 2040, compared to the base year, and neutralising unabated emissions to reach net zero.

- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information
- Continuing to use 100% renewable electricity in Europe, Brazil, Chile and Peru, promoting its development through long-term power procurement agreements (PPAs) and more self-generation (Hispanoamerica 100% renewable in 2030).
- · Improving energy consumption per unit of traffic (MWh/ PB) by 90% in 2025 compared to 2015.

Telefónica's climate targets are validated by the SBTi and include Scopes 1, 2 and 3.

The road to net-zero



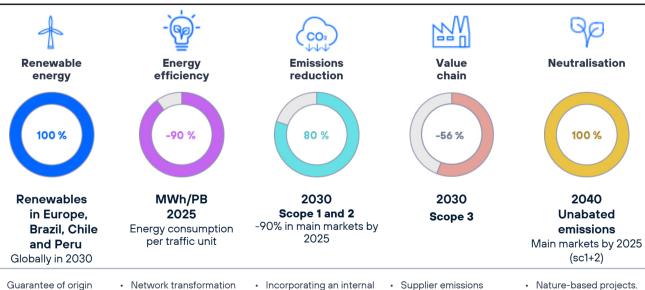
Energy and climate change targets

Beyond the Paris Agreement



Net-zero emissions

2040: Entire value chain (Scopes 1, 2 and 3)



· Self-generation.

certificates.

(PPAs).

Long-term power purchase agreements

- Network transformation and legacy shutdown.
- Power-saving features
- Modernisation of air conditioning and power equipment.
- Lighting.
- Incorporating an internal carbon pricing in our purchases
- Leakage control and new refrigerant gases.
- Reduction in the use of fossil fuels
- Supplier emissions reduction programme.
- Efficiency in customer devices.
- · Nature-based projects.
- With social and biodiversity benefits.
- Certified by recognised international standards.



- 1. Strategy and growth model
- Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.2.3. Governance 2.2.5. Risks and opportunities

GRI 2-12

The climate change and energy strategy is part of the Responsible Business Plan, headed by the Board of Directors. The Board of Directors' Sustainability and Quality Committee, which meets monthly, oversees the strategy implementation, reviews the risks and monitors its targets.

Our **Global Energy and Climate Change Office** has been operational since 2007. Comprising such areas as Operations, Environment and Procurement, it is responsible for implementing the strategy. Furthermore, the Global Energy Centre, created in 2015, deals with accelerating the fulfilment of the targets and, alongside local officers, promotes energy efficiency and renewable energy projects in each country.

At our Global Workshop on Energy and Climate Change, which we have been holding annually since 2010, we discuss our progress and new opportunities with over 30 suppliers.

In addition, a percentage of the variable remuneration of all our employees, including the Executive Committee, is linked to fulfilment of the annual and multi-annual CO_2 emission reduction and neutralisation targets.



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

Reducing CO₂ emissions has been part of the variable remuneration of all employees, including the Executive Committee, since 2019.



2.2.4. Policies

We have a number of internal regulations designed to align the organisation with our energy and climate change targets:

- · Environmental Policy.
- · Energy Management Policy.
- · Supply Chain Sustainability Policy.

RI 201-2

Climate change is one of the basic risks inside the Telefónica's Risk Management Model.



For further information, see chapter 3.1. Risk management framework.

We analyse climate-related risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), covering both physical risks and transition-related risks in the **medium and long term.** To assess the physical risks, we use projections of climate variables for two different CO₂ concentration scenarios (RCP, Representative Concentration Pathway).

In the RCP 2.6 scenario (aligned with the Paris Agreement), the risks relate mainly to transitioning to a decarbonised economy (regulatory, technological, market and reputational risks), for example, due to tightening of measures to limit GHG emissions. This transition would also mean considerable **opportunities** associated with cost reductions due to energy efficiency and renewable energy and to business growth in digital solutions designed to help our customers decarbonise their activities.



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

In contrast, in the RCP8.5 scenario ("business as usual"), the major risks are physical risks associated with changes to specific climate variables, whether these be temporary (increase in extreme weather events) or chronic (increase in temperature, variation in rainfall). The risk associated with the **increase in temperature** would entail a great financial impact, as it could increase electricity consumption for cooling our network equipment. In addition, this could be aggravated by a possible increase in the cost of electricity, mainly in countries which are highly reliant on hydropower, in the event of episodes of drought.

Furthermore, transition scenarios, which provide necessary parameters to test the impact of transition to a low-carbon economy, also provide key information to help us understand how the future might unfold given a temperature increase limited to 1.5 °C. For this assessment, we use the International Energy Agency's **NZE 2050** scenario, which describes the efforts needed to reduce GHGs and reach net-zero emissions globally by 2050.



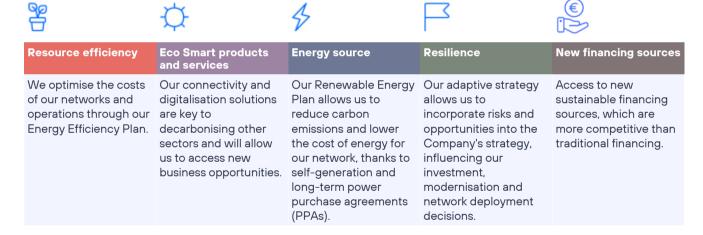
- 1. Strategy and growth model
- 2. Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

In order to ensure the resilience of our assets, we have drawn up an **Adaptation Plan**, the main pillars of which are business continuity, energy efficiency and renewable energy plans, which help us to reduce exposure to physical risks and adapt to the consequences of climate change.

Climate change risks

Transition				Physical	
<u>م</u> الِّه	300	Ė	恩	*	P
Regulatory	Technological	Market	Reputational	Chronic	Acute
Price increases for certain products and services due to direct or indirect CO ₂ taxes or charges (energy, transport, etc.).	Need for early decommissioning of HVAC assets or energy assets due to transition to low-emission energy.	Increased energy OpEx, e.g. in countries with high reliance on hydro generation or due to higher CO ₂ prices.	Greater demands in this area from key stakeholders (investors, analysts, customers, etc.). Rising carbon offset costs.	Increased electricity consumption for cooling associated with rising global temperatures. Possible increase in electricity prices during periods of drought.	A higher occurrence of extreme weather events (mainly floods) would increase the business continuity risk and the cost of replacing damaged assets.

Climate change opportunities



Assessing climate scenarios has allowed us to identify the most material risks and opportunities for our business in terms of impact, which we outline below.



- Strategy and growth model
 2. Non-financial Information statement _Building a greener future
 - 3. Risks

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

Financial impact of climate change risks

Category	Nature	Risk	Description	Financial impact	Risk management and mitigation
Physical	Chronic	Temperature increase	Rising average temperatures could increase Telefónica's operating costs, mainly due to increased cooling requirements for network equipment.	Increase in operational costs. Long term Low impact	To manage this risk, we have several lines of action to reduce the electricity consumption related to cooling. We support a variety of energy efficiency projects, both to reduce air conditioning consumption (e.g. free cooling, liquid cooling, modernisation of equipment, etc.) and regarding the network equipment itself, including technical specifications for the network equipment so that it can operate at higher temperatures.
Physical	Acute	Extreme weather events	Increased severity and frequency of extreme weather events, such as heavy precipitation (rain, hail, snow/ice), forest fires and floods.	Increased operational costs due to the replacement of damaged assets. Decrease in revenues due to service unavailability Long term Low impact	To manage this risk, we have the Global Business Continuity System included in our Adaptation Plan to manage risks proactively, ensuring the utmost resilience of our operations in the event of any possible interruption. These include: a) Business Continuity Plans in each country that set out how to restore essential functions that have been interrupted. b) A global Crisis Management System to manage high-impact threats. There is also a Global Crisis Committee, which includes specialists for each type of incident. In addition, the Company's insurance model takes into account the possible impact on assets due to the occurrence of extreme weather events.
Transition	Market	Electricity price increases	The telecommunications sector is not fossil-fuel intensive, but is highly dependent on electricity consumption for its networks. For this reason, an increase in electricity prices due to a new regulation in the electricity generation sector or a shortage of hydro generation due to a drought may impact our energy OpEx.	operational costs. Medium term Medium impact	To manage this risk and reduce our exposure to rising energy prices, we have implemented two main plans: a) An Energy Efficiency Plan, which allows us to consume less electricity; and b) A Renewable Energy Plan, which reduces our operating costs and makes us less dependent on fluctuations in electricity prices through long-term power purchase agreements (PPAs).



- Strategy and growth model
 2. Non-financial Information statement _Building a greener future
 - 3. Risks

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

Financial impact of climate change opportunities

Туре	Opportunity description	Financial impact	Opportunity management		
Products and Services	Telefónica has identified opportunities in a low-carbon economy to grow the business by selling products that reduce the carbon emissions of our customers and other sectors. In this regard, digitalisation will be essential in tackling the transition to a low-carbon economy.	Increased revenues as a result of higher demand for products and services that contribute to the decarbonisation of the economy. Medium term High impact	We see the future potential of technology as an opportunity, with digitalisation being essential to tackle environmental challenges, which is why we are a founding member of the European Green Digital Coalition. Telefónica is developing new digital services based on broadband connectivity, Internet of Things (IoT), the cloud and big data, which have the potential to optimise our customers' resource consumption and reduce their impact on the environment. The Telefónica Tech business unit drives the growth of digital services involving IoT/big data and the cloud to achieve a larger scale and integrate leading digital solutions that help our B2B customers move towards a more digital and sustainable world.		
Resource efficiency	Since the electricity consumption of our network is high, Telefónica sees a major opportunity associated with cost reductions arising from an appropriate energy management. By being more efficient in the use of this resource, the operating costs of our networks will be reduced.	Reduction in operational costs. Medium term High impact	Through the Energy Efficiency Plan, we aim to decouple the growth of our business from energy consumption, which is why it is integrated into our overall climate change strategy. This plan gives us an important competitive advantage in our sector, as it increases the efficiency and resilience of our networks.		
			Since 2010, we have implemented over 1,500 energy efficiency projects that have enabled us to achieve considerable energy savings and therefore cost reductions. We have managed to keep our energy consumption stable since 2015, despite the exponential growth in traffic passing through our networks.		
Transition to renewable energy (PPAs)	Telefónica has identified a major opportunity associated with the use of renewable energy sources. This opportunity provides us with an important competitive advantage, as it reduces our exposure to energy price	Reduction in operational costs. Medium term Medium impact	One of our strategic targets in terms of climate change is to commit to renewable energies as a sustainable source for our business, ensuring that 100% of our electricity consumption comes from renewable sources by 2030.		
	volatility and delivers significant energy OpEx savings.		The Renewable Energy Plan includes all types of solutions: self-generation, purchase of renewable energy with guarantees of origin, distributed generation and long-term PPAs. The plan allows us not only to reduce our exposure to market variations, but has enabled us to achieve considerable savings in electricity costs as a result of long-term PPAs and distributed generation.		



1. Strategy and growth model

- 2. Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Туре	Opportunity description	Financial impact	Opportunity management
Sources of sustainable finance	Opportunity description Access to new and more competitive sources of sustainable finance, such as green bonds, which offer interest rate savings compared to traditional financing.	Reduction of financing costs. Broadening the investor base and investor type. Medium term Medium impact	Opportunity management Telefónica uses green bonds and green and sustainable hybrid instruments to finance projects with a positive environmental impact as defined in its sustainable financing framework, for example improving energy efficiency by transforming the copper network to fibre optics (85% more efficient). Telefónica is one of the largest issuers of sustainable bonds in its sector, both in terms of volume, number and range of issuances
			(senior green bonds and hybrid green or sustainable instruments). In addition, Telefónica uses other sustainable bank financing instruments, such as loans and credit facilities linked to sustainability targets, which allow it to make progress towards achieving corporate targets linked to emissions reductions.

2.2.6. Action plan and commitments GRI 305-5

The energy and climate change strategy is integrated into the Company's management and focuses on building a greener future. We are committed to reducing our own carbon footprint in order to have a network with net-zero emissions through which we deliver Eco Smart solutions to reduce our customers' emissions.

Our journey to **net zero** means reducing our own emissions (Scope 1 and 2) and those of our value chain (Scope 3), in addition to neutralising unabated emissions. We have developed a <u>Climate Action Plan</u> with specific actions aligned with the most ambitious scientific climate recommendations to achieve our targets.

> Reducing our own emissions

At Telefónica, keeping our energy consumption stable is a priority, despite the considerable rise in digitalisation of society and therefore the data traffic circulating through our networks. Therefore, our Energy Efficiency Plan encompasses initiatives such as modernising our network by replacing copper with fibre optics (85% more efficient); the renovation of power plants and HVAC equipment; free cooling for lowering the air temperature by using naturally cool air instead of mechanical refrigeration; immersion liquid cooling; shutdown of HVAC equipment; shutdown of legacy networks; the implementation of Power Saving Features (PSFs) and Al/ ML platforms at off-peak hours without affecting the performance of the access network. Also fuel consumption is reduced through hybrid stations with solar photovoltaic energy and delaying the ignition of generators using deep-cycle lithium batteries.

To achieve the decarbonisation of the Company, not only do we need maximum efficiency in energy usage, but we also need the energy to come from renewable sources.

Our **Renewable Energy Plan** includes all types of solutions – self-generation, the purchase of renewable energy with a guarantee of origin and long-term Power Purchase Agreements (PPAs) – and prioritises non-conventional renewable energy sources. Our goal is to go further than just having 100% of renewable energy in our main markets. We want to contribute to increasing the renewable energy mix through self-generation or by facilitating the construction of new parks through our medium and long-term consumption commitments (under PPA models).

In addition, introducing an **internal carbon pricing** helps us make better investment and equipment procurement decisions. When procuring energy-consumption-intensive equipment, we take into account the Total Cost of Ownership (TCO). This enables us to bear in mind not just the purchase price, but also the price of the energy consumed and the emissions generated during its useful life, and thereby to select more efficient equipment.

The <u>Climate Action Plan</u>, available on our website, is our roadmap to reach net-zero emissions by 2040.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> Neutralising the remaining emissions

We will neutralise our unabated emissions (10% in 2040), by permanently removing or sequestering an equivalent amount of CO₂ from the atmosphere, through the purchase of carbon credits or by developing our own projects, which must meet the following criteria:

- · Carbon sequestration initiatives, preferably naturebased, such as reforestation, afforestation or ecosystem restoration, using native plant species.
- · Demonstration of additionality and long-term impact.
- · Projects with environmental and social co-benefits, contributing as much as possible to the achievement of the SDGs.
- · Projects certified to nationally/internationallyrecognised standards and verified by an accredited third party.
- · Preferably located in areas where Telefónica is present.

In addition, in the near and medium term, and always on a temporary basis (before 2025 for Scope 1 and 2 emissions from main markets and before 2040 for Scope 3 emissions and those from Hispanoamerica), we will also invest in carbon credits to reduce emissions from deforestation and degradation, with the aim of contributing to halt deforestation in certain regions where Telefónica has operations.

In countries with high deforestation rates, projects that yield high-quality emission-reduction credits support the conservation of existing carbon stocks and provide incentives to support indigenous peoples and local communities.

In major markets, we will neutralise 100% of our own emissions (Scopes 1+2) by 2025.

> Reducing emissions in the value chain

The emissions of our value chain (Scope 3) are the largest in our entire carbon footprint.

Of the total Scope 3 emissions, more than two thirds come from our supply chain (categories of "purchased goods and services" and "capital goods" as defined in the Corporate Value Chain Accounting & Reporting Standard of GHG Protocol), and from the use of sold products by our customers.

In order to reduce our value chain emissions, cooperating with our main suppliers and the rest of the sector is paramount, as we share the same challenges.

Regarding this, we have been running a programme with our most intensive suppliers in terms of emissions for several years. We analyse their climate maturity and support them in their decarbonisation process, through training sessions and by asking them to make specific commitments.

In addition, we work closely with other operators in working groups of JAC (Joint Audit Cooperation) and the GSMA on methodological issues and specific actions to encourage emission reductions in our common value chain. We also participate in multi-sectoral initiatives such as 1.5°C Supply Chain Leaders and the SME Climate Hub to also reach out to small and medium-sized enterprises.

The other major Scope 3 category that is important for our emissions is the one related to the use of sold products. Promoting eco-design and reuse of routers or mobile phones, for example, helps us to reduce the emissions from such electronic devices during their lifetime. We also offer to our costumers sustainable purchasing criteria, like the Eco Rating label, which rates the sustainability of mobile phones, thereby encouraging manufacturers to improve them.



For further information, see chapter 2.3. Circular economy.

We collaborate in sectoral initiatives to reduce our supply chain emissions.









- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.2.7. Progress in 2022

GRI 302-1, 302-2, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5

> Energy consumption performance

In 2022, we implemented 128 energy efficiency and management initiatives in our networks and offices, achieving savings of 408 GWh. Our total energy consumption was 6,106 GWh (21,982,519 GJ), 95% of which was electricity, while 5% was fuel. Our energy consumption per traffic unit rate improved by 87% compared to 2015 and we saved €176 million through the implementation of energy efficiency and management projects.

Total energy consumption



Thanks to the implementation of energy efficiency projects, we have managed to reduce power consumption by 7.2% since 2015, even though data traffic through our networks has increased 7.4 times over.

During 2022, we launched the Sustainable Platform Design project, part of the company's Autonomous Network Journey programme, to develop the network for the coming years. It will be a Telco Cloud network, with edge computing and sustainable by design, i.e. energy efficient and low carbon, so as to address traffic growth while respecting the environment. We prioritised the roll out of more efficient fibre and 5G and the shutdown of legacy elements to foster the circular economy.

As part of our energy efficiency projects, we promoted network transformation initiatives, which are responsible for 78% of our energy savings. We also continue to **shut down** legacy infrastructure, such as 2G and 3G networks, as well as copper networks. In Spain, in line with the 2024 copper closure plan, 788 plants were closed in 2022 (2,236 since 2014) and in Hispanoamerica progress was made with multi-layer and 2G shutdowns.

We improved the **design** of mobile sites thanks to the Smart Site model, which includes equipment modernisation, use of free cooling, more efficient rectifiers, bluetooth locking and renewable energy, among other best practices. Germany is a good example of this, where we continued to work on the NSD (New Site Design) project. Moreover, in 2022, we installed rectifiers with 98% efficiency, thanks to the TCO assessment (compared to 96% rectifiers), which represents a saving of 2% per year and an ROI in under three years.

In Spain, we awarded contracts to modernise 40 power plants under the Energy Savings as a Service (ESaaS) model, which will allow us to improve the infrastructure of these buildings and at the same time save energy, all with investment from a third party.

With regard to efficient management of network capacity, we increased the use of power saving features (PSFs) during periods of low traffic and we used artificial intelligence (AI) tools, machine learning and **automatic traffic prediction**. In 2022, we implemented 17 new PSF functionalities in our 4G and 5G networks, enabling us to reduce energy consumption in off-peak hours by up to 30%, without compromising on quality.

We also completed the **immersion liquid cooling** project at the Bellas Vistas power plant in Madrid (Spain). This pilot delivered savings of up to 75% in non-IT energy consumption and eliminated refrigerant gas use while maintaining traditional (Tier III) reliability levels. This type of solution uses an electrically non-conductive, non-toxic and biodegradable liquid. This technology, which enables high-capacity servers to be cooled by immersion (much more efficiently than by air), will help us support the growing demand for data in edge computing and 5G.

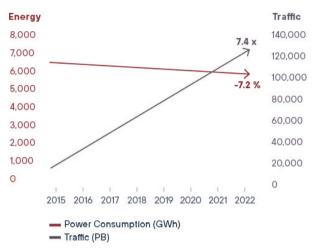
Lastly, we continued to improve the methodologies for obtaining fuel consumption data from operations and recharging of refrigerant gases. In Brazil, we digitalised the management process, increasing the reliability of data through continuous monitoring, which enabled us to reduce refrigerant gas recharges by 53%. This also makes it possible to implement new projects to reduce Scope 1 emissions.

With the aim of reducing emissions derived from the use of fossil fuels, we have implemented various solutions in the field of heating. These encompass, among other things, the replacement of diesel by natural gas or propane in boilers; the implementation of solar or hybrid solutions in sites with no connection to the electricity grid; and the implementation of logic to delay the running of emergency generators at sites with frequent interruptions to the electricity supply. This is achieved by using high cycle batteries (lithium), thereby reducing the need to run generators and saving fuel.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Progress in energy and traffic 2015-2022



> Renewable energy

In 2022, 82% of our total electricity consumption in our own facilities came from renewable sources.

We continued the ambitious **distributed generation** (DG) project in Brazil, which allowed for the installation of 48 new renewable energy plants in 2022, out of a total of 85 planned. These plants will generate over 700 GWh per year for our operations, thereby reducing dependence on renewable energy certificates or iRECs.

In addition, we increased the procurement of renewable energy through new long-term renewable power purchase agreements (PPAs). In Germany we signed two PPA agreements. The first one for the period of 2025-2035, which will cover 54% of the total consumption of our operations, equivalent to 350 GWh per year, and a second one for the period of 2025-2040, which will cover around 33% of the consumption, equivalent to 200 GWh per year.

In Spain, the four **long-term renewable power purchase agreements (PPAs)** signed for the period 2022-2031 came into operation in 2022. They account for 30% of total consumption, equivalent to 482 GWh per year for 10 years. In addition to these new agreements we have to consider also the one signed in 2020, enabling us to achieve a total of 582 GWh of renewable electricity coming from PPAs in our operations in Spain, covering 50% of the consumption of technical buildings.

In addition, thanks to the extension of **guarantee of origin programmes**, countries such as Argentina and Ecuador certified 7% and 30%, respectively, of their electricity consumption in their own facilities as renewable for the first time, while Colombia managed to increase it to 87%. We should mention that in 2022 Chile achieved 100% of renewable electricity, joining Europe, Brazil and Peru, operations where electricity consumption at our own facilities is 100% renewable.

Regarding the electricity we use at non-Company facilities, our operations in Germany, Spain, Brazil, Peru and Chile also certified 100% of electricity consumption at third-party sites as being renewable, enabling us to reach a figure of 61% globally.

In Europe, Brazil, Peru and Chile, 100% of the electricity we consume at our own facilities comes from renewable sources (82% at global level). Our goal, as part of the RE100 initiative, is for the electricity we consume in all our operations to come entirely from renewable sources by 2030.

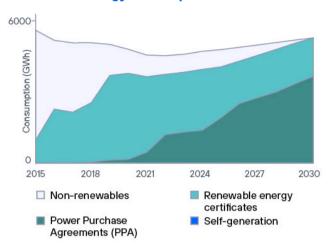
With regard to **self-generation of electricity**, we have 485 systems installed (both in fixed network buildings and in mobile network base stations) that allow us, firstly, to improve renewable electricity consumption and, secondly, to avoid the use of fossil fuel generators in isolated (off-grid) base stations, reducing consumption by between 70% and 100%. A good example of this is the installation of 23 hybrid self-generation systems in Chile, which is estimated to save around 60,000 litres of fuel per year.

In addition, in order to accelerate the implementation of renewable self-generation systems, we have signed several agreements in which we provide roof space for the installation of solar panels by a third party, so that the electricity generated is self-consumed on-site at a lower price than the commercial tariff (on-site PPA). We signed these agreements both in Spain for four major buildings and in Colombia, where 12 of these systems will generate approximately 1.4 GWh per year under this scheme.

Thus, our **Renewable Energy Plan** is focused on continuing to sign long-term Power Purchase Agreements (PPAs) and on increasing self-generation, in order to progressively reduce the purchase of renewable certificates and increase savings in electricity OpEx.

- 1. Strategy and growth model
- 2. Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Renewable energy roadmap



Savings from energy efficiency projects



*Other: includes projects such as lighting, correcting the output factor, renewable self-generation, reduction in fuel use, cooling, power, and tax exemptions and benefits.

	Unit	2015	2020	2021	2022	2015/2022 Performance
Total energy consumption	MWh	6,577,766	6,269,962	6,106,625	6,106,255	-7.2%
Electricity consumption + self-generation ¹	MWh	6,186,885	5,966,242	5,815,665	5,824,828	-5.9%
Fuel and district heating ²	MWh	390,882	303,720	290,961	281,427	-28.0%
Electricity from renewable sources in own facilities	Percentage	17	79	79	82	382.4%
Total annual traffic managed	Petabyte	17,054	86,591	113,547	125,790	637.6%

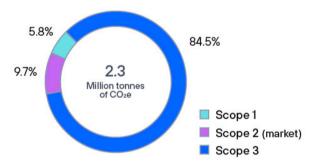
> Progress in emissions

We calculate and verify through an external party our carbon footprint based on the international **GHG Protocol** Corporate Accounting and Reporting Standard, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

In 2022, our **Scope 1** emissions fell by 54% compared to 2015, resulting in 154 ktCO $_2$ e fewer in seven years. In **Scope 2** emissions, the reduction was 85% versus 2015, which is 1,303 ktCO $_2$ e fewer over the same period. Combined, our Scope 1 and 2 emissions fell by 80%, which is a reduction in emissions to the atmosphere of 1,458 ktCO $_2$ e. We have thus reached the 2030 target 8 years ahead of schedule.

Furthermore, our energy efficiency and renewable electricity purchase initiatives saved us 118 and 845 ktCO $_2$ e, respectively.

GHG emissions by scope



¹ Includes total electricity consumption from renewable sources, which in 2022 amounted to 4,534,310 MWh, of which 3,800,334 MWh are used in our own facilities.

² Includes biofuel consumption, which in 2022 amounted to 56,639 MWh.

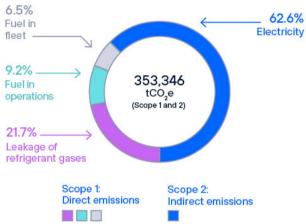
- 1. Strategy and growth model 2. Non-financial Information statement Building a greener future
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors 6. Other information

0 0 0

Scope 1 and 2 emissions In 2022, without our Renewable Energy Plan, 62.6% Telefónica's emissions would have been 3.4 times greater.



GHG emissions

	Unit	2015	2016	2020	2021	2022	Performan ce, base year/2022
Scope 1 ³	tCO ₂ e	286,201	281,517	207,872	183,231	131,809	-54%
Scope 2 (market-based method)	tCO ₂ e	1,524,954	1,047,751	467,587	353,506	221,537	-85%
Scope 2 (location-based method)	tCO ₂ e	1,869,500	1,712,202	1,261,306	1,212,173	1,002,189	-46%
Scope 1 + 2 (market)	tCO ₂ e	1,811,155	1,329,268	675,459	536,737	353,346	-80%
Emissions offset ⁴	tCO ₂ e			78,101	63,018	35,537	N/A
Scope 3 ⁵	tCO ₂ e		2,855,544	2,146,226	2,072,159	1,930,051	-32%
Biogenic emissions	tCO ₂ e			9,695	9,020	13,873	N/A
Emissions avoided due to renewable energy consumption	tCO ₂ e	392,489	752,264	782,868	902,019	845,456	115%
Emission intensity (Scope 1 + 2/revenue €M)	tCO2e / €M	33	29.4	18.6	14.6	8.8	-73%

Emissions by company

EMISSIONS (tCO ₂ e)	T. GERMANY	T. BRAZIL	T. SPAIN	T. ARGENTINA	T. CHILE	T. COLOMBIA	T. ECUADOR	T. MEXICO	T. PERU	T. URUGUAY	T. VENEZUELA	Telxius	Other companies ⁶
Scope 1 + 2 (market)	5,781	32,190	20,679	148,842	9,736	17,886	7,202	53,335	3,621	2,870	38,097	5,211	7,896
Scope 1	5,520	32,190	20,679	26,995	9,736	11,040	1,134	5,408	3,621	408	10,817	1,289	2,972
Scope 2 (market)	261	0	0	121,847	0	6,846	6,069	47,927	0	2,462	27,281	3,922	4,922

 $^{^{3}}$ Scope 1 emissions by gas type: CO_{2} : 54,494t CO_{2} e; CO_{4} : 230 t CO_{2} e; CO_{2

⁴ Emissions offset by purchase of carbon credits in certified projects.

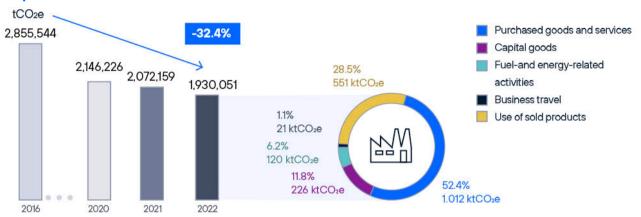
⁵ Scope 3 emissions include the emissions from relevant categories: Cat. 1 (1,012,294 tCO₂e), Cat. 2 (225,991 tCO₂e), Cat. 3 (120,194 tCO₂e), Cat. 6 (21,149 tCO₂e) and Cat. 11 (550,423 tCO₂e).

Other companies consolidates emissions for the following companies: Telefónica GIES, ACENS, Media Networks Latin America Perú, Telefónica Tech UK



- 1. Strategy and growth model
- Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Scope 3 Emissions



Scope 3 emissions are 85% of the total emissions generated by Telefónica. Of these emissions, 52% come from the purchases to our supply chain. ("Category 1. Purchased goods and services") and 29% from the use of products we sell to our customers ("Category 11. Use of sold products").

Other relevant categories include "Category 2. Capital goods" and "Category 3. Fuel- and energy-related activities", which account for over 18% of total value chain emissions. In addition, we calculate and report other emissions that we consider strategic to our business such as "Category 15. Investments", which in 2022 resulted in the emission of 43,982 tCO $_2$ e). This category includes emissions from Virgin Media O2, the joint venture created in the UK in 2021.

In 2022, our Scope 3 emissions fell by 32% compared to 2016 (base year), which represents 925 ktCO $_2$ fewer in seven years.

Emissions in the supply chain

To accelerate the decarbonisation process of our **supply chain**, in 2022 we added a new climate change requirement in the procurement process, requiring our key suppliers (which account for 90% of our supply chain emissions) to establish in the short term a decarbonisation plan for their activity, aligned with the Science-Based Targets (SBTi) initiative.

We continued our **Supplier Engagement Programme** and invited our most emissions-significant suppliers to join the **CDP Supply Chain programme**. In 2022, a total of 218 suppliers were involved, accounting for 97% of our supply chain emissions. The information reported enables us to understand their degree of maturity in handling their carbon footprints and identify potential areas for collaboration.

On the other hand, we continue to support initiatives such as the **1.5°C Supply Chain Leaders**, which advocates for the reduction of emissions by small and medium-sized enterprises (SME), and the **SME Climate Hub**, which

promotes decarbonisation amongst SMEs, and invites them to sign the 'SME Climate Commitment' as well as supporting them with specialised tools, knowledge and best practice for implementing a robust climate strategy. In 2022, these two initiatives launched a pilot programme focused on SMEs where eleven of our suppliers were invited. Furthermore, we are also partnering with the **We Mean Business** association at the local level to implement the Hub in Spain.

We are also part of the **GSMA** working group which, in collaboration with the **GeSI** (Global Enabling Sustainability Initiative) and the **ITU** (International Telecommunication Union), is helping to draft a specific Scope 3 guidance for telecom operators. The Guide is intended to help telecommunications operators to harmonize the methods for calculating Scope 3 emissions, to increase reporting coverage and to encourage greater transparency in the reporting of these emissions.

We are working with other companies in the sector to address the challenge of decarbonising our supply chain.



In 2022, we continued to lead the climate change working group within the **Joint Alliance for CSR (JAC)** initiative to boost the decarbonisation of the sector. Over the course of the year, the climate supplier management of all JAC members was assessed to define and implement common emission reduction actions in the sector's supply chain (members account for over 60% of the industry's revenues).



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



For more information, see chapter 2.20. Responsible supply chain management

We also worked on reducing emissions associated with the use of customer premises equipment, mainly linked to electricity consumption by routers and set-top boxes, thanks to increasingly energy-efficient equipment.

In 2022, we updated the corporate instruction on low carbon procurement, which considers the **internal carbon pricing** to guide purchasing decisions towards energy-efficient equipment with a lower carbon footprint. To reinforce internal awareness, five training sessions were held for over 500 employees from operations, procurement and sustainability.

We are part of the A List of the CDP Climate Change Index for the ninth year in a row.



We have been offsetting the impact of our emissions for several years through nature-based projects that generate high quality carbon credits. In 2022 we closed a global purchase agreement of carbon credits to ensure its availability until 2026 for Spain, Brazil and Germany.

In Spain, we continued the **Telefónica Forest** project, which is helping to restore an abandoned area for forestry use, thereby boosting the local economy, involving rural communities and fostering employment for young people and disadvantaged people. Furthermore, in 2022, under the global carbon credit agreement our Spanish operation acquired carbon credits from a project that protects forests in one of the regions with the highest deforestation rates in the Amazon biome. Thanks to these two projects, it offset 5% of its operational emissions (Scope 1 + 2).

Meanwhile, in Brazil **we continued to offset 100%** of Scope 1 + 2 emissions through the purchase of carbon credits. The projects that generate these credits are backed by recognised certificates and support local projects both for conserving ecosystems that contribute to halt deforestation and for reforesting the Amazon rainforest with native species.

Lastly, in **Germany, we neutralised 40%** of our operational emissions, as well as those from business travel, through a reforestation project in Colombia that promotes the sustainable management of forest resources to encourage natural regeneration.

> Neutralising the unabated emissions

2022 Performance - Global

КРІ	Unit	Target	Base year value	2022 value	Performance
Energy consumption per traffic unit	MWh per Pb	-90% (by 2025)	386	49	-87%
GHG emissions. Scope 1 + 2 (market)	tCO ₂ e	-80% (by 2025)	1,811,155	353,346	-80%
GHG emissions. Scope 3	tCO ₂ e	-39% (by 2025)	2,855,544	1,930,051	-32%
Renewable electricity consumption in own facilities	Percentage	100% (by 2030)	17%	82%	

2022 Performance - Main markets (Germany, Brazil, Spain)

KPI	Unit	2025 Target	Base year value	2022 value	Performance
Energy consumption per traffic unit	MWh per Pb	-90%	336	49	-85%
GHG emissions. Scope 1 + 2 (market)	tCO ₂ e	-90%	1,022,365	58,650	-94%
GHG emissions. Scope 3	tCO ₂ e	-39%	1,453,453	1,081,095	-26%
Renewable electricity consumption in own facilities	Percentage		25%	100%	



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

VMED 02 UK

The main indicator data for VMED O2 UK regarding energy and emissions for 2022 are:

	Unit	VMED 02 (fixed and mobile operations)
Total energy consumption	MWh	1,171,285
Scope 1 + 2 emissions (market)	tCO ₂ e	71,393



MILESTONES

- →We have reduced our total emissions (Scope 1, 2 and 3) by 45% in just seven years.
- → We are part of the A List of the CDP for the ninth year in a row.
- → We have increased the supply of renewable energy on a long-term basis (PPAs) and at a stable price. Globally, the electricity we use in our facilities is 82% renewable energy.
- → We achieved 100% renewable electricity including in third-party facilities in Germany, Spain, Brazil, Peru and Chile.
- → We completed the 'immersion liquid cooling' project, a technology that is up to 75% more efficient than air conditioning.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.3. Circular economy

GRI 2-3, 2-23, 3-3

KEY POINTS



We currently recycle 98% of our waste and we are committed to be a Zero Waste company.



We promote the circular economy in the use of electronic devices through ecodesign, recycling and reuse of equipment.



We reuse 4.4 million of electronic equipment from operations, offices and customers.

2.3.1. Vision

Overexploitation of the planet is one of the main causes of environmental degradation and climate change. According to the World Resources Institute, each year more than 100 billion tonnes of mineral, biological, metal or fuel resources are used. This amount exceeds what the planet can regenerate in a year and only 8.6% of these resources are recycled or have a second life.

Circular economy is part of the solution to this problem, as it could reduce resource use by 28% and global greenhouse gas emissions by 39%. In the EU alone, it could create around **700,000 jobs** and increase GDP by 0.5% by 2030. All this is based on principles such as reducing impacts from design, extending the useful life of products, recovery of raw materials and the dematerialisation of the economy thanks to digitalisation.

At Telefónica, we integrate this philosophy into our processes aiming at optimising resource consumption and promoting ecodesign, reuse and recycling, with the goal of minimising our impact and encouraging keeping materials in circulation.

2.3.2. Targets

Our main target is being a Zero Waste company in 2030.



Our priority is to increase repair, reuse and recycling and to ensure that our waste does not end up incinerated or sent to landfill but transformed into raw materials that are reintroduced into the value chain:

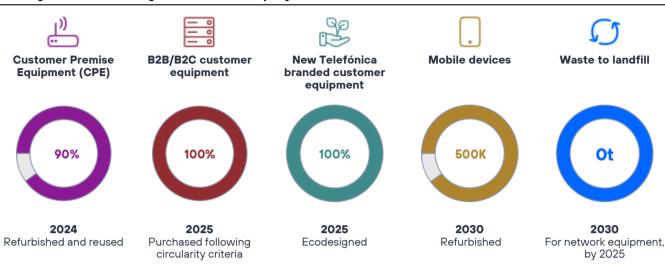
- Refurbish and reuse 90% of Customer Premise Equipment (CPE: routers and decoders) collected from customers by 2024.
- Introduce circularity criteria in all purchases of customer electronic equipment by 2025.
- Introduce ecodesign criteria in all new customer equipment under the Telefónica brand by 2025.
- Zero Waste to landfill by 2030 through reuse and recycling (hazardous and non-hazardous waste).
- For network equipment: 100% reuse, resale and recycling by 2025 (aligned with the GSMA sectoral target).
- Refurbish 500,000 mobiles per year by 2030 through various programmes.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Circular economy targets

Moving towards becoming a Zero Waste company



2.3.3. Policies

We have several policies that lay down the basis for implementation of the circular economy throughout the Company:

- · Environmental Policy.
- · Energy Management Policy.
- · Supply Chain Sustainability Policy.

Deriving from these policies are the following **principles** for promoting the circular economy:

- Promoting the development of an enabling regulatory framework for the circular economy.
- Promoting the best ecodesign with manufacturers and integrating circular criteria in our procurement processes.
- Reducing waste generation and encouraging reuse and recycling.
- Guaranteeing proper waste treatment with controls on our supply chain.
- Offering our customers products and services with less consumption of raw materials, environmental information which helps them in their purchases and alternatives to waste disposal for their used devices.

2.3.4. Risks and opportunities

According to the World Economic Forum, the natural resource crisis is a high-impact, high-probability **risk** that can only be reversed by seeking a more circular economy. Overexploitation of resources brings with it supply risks

that affect the availability of products and services.
Investing in an economy that allows the reintroduction of recovered materials into production chains helps to reduce this risk and be less dependent on imported resources.

The pressure on supply chains, which are recovering from the COVID-19 crisis, has been aggravated in the European Union by the war in Ukraine. In addition, the demand for critical raw materials such as lithium, cobalt and nickel is expected to increase further due to the continuing development of the technology industry.

Every year 54 million tonnes of e-waste are produced, of which only 17.4% is recovered and recycled. Manufacturing with ecodesign criteria, reuse and recycling contribute to reducing the risk of resource depletion and ensure supply chain continuity. It also reduces the associated environmental impact, as 45% of global emissions derive from the manufacture and use of products, while 90% of the biodiversity loss and water stress is caused by the extraction and processing of natural resources.

According to Accenture's Waste2Wealth study, there are five business models that could generate \$4.5 trillion by 2030: renewable resources, products as a service, sharing use platforms, product life extension and resource recovery.

The reuse and refurbishment of customer equipment and network equipment is a significant **opportunity** for Telefónica as it generates savings by avoiding the purchase of new equipment. In addition, the sale of refurbished network equipment or waste such as cable from the copper-to-fibre transformation provides us with additional revenues.



- 1. Strategy and growth model
- Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Furthermore, **digitalisation and connectivity** are key tools for the circular economy. This, therefore, represents a business opportunity for Telefónica. In addition to influencing the circularity of our operations, we can also support the circularity of other economic sectors by using digital solutions.



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

2.3.5. Action plan and commitments GRI 308-2

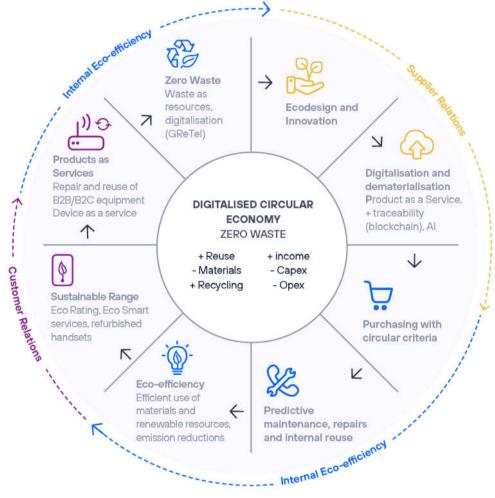
At Telefónica we are committed to integrating circular economy criteria transversally at three levels: internal eco-efficiency, suppliers and customers.

Circular economy allows us to grow using fewer resources and avoid indirect carbon emissions associated with the manufacture of new equipment.

• • •

Circular economy strategy

Enhanced circularity through digitalisation



> Internal eco-efficiency

We reduce our environmental impact through efficiency measures, such as preventive maintenance of infrastructure, replacing equipment with energy-efficient equipment and reusing it internally. This enables us to optimise our consumption of water, paper, and energy, for the latter, through an Energy Efficiency Programme.



For further information, see chapter 2.2. Energy and climate change.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

To prevent waste generation in our operations and our value chain, we are committed to ecodesign, procurement using circular criteria and reuse, mainly of electronic equipment, as the best waste is that which is not generated at all. All this enables us to be more the manufacture of new devices. competitive, reduce our expenses and increase our revenue, while reducing our footprint on the environment

Electronic equipment

We extend the useful life of equipment by reusing it whenever possible. If the equipment cannot be reused the best option is to recycle it, as each piece of equipment contains precious metals such as gold, copper and nickel which can be used as resources in a new product.

and complying with applicable legal regulations.

During our network transformation, many pieces of equipment are reused within Telefónica, thereby promoting the circular economy in dismantling processes. To encourage reuse, Telefónica has rolled out the MAIA project, which facilitates and promotes internal reuse with the aid of a digital platform. Each operator can access the platform to view available equipment and contact other operators in the Group to accomplish reuse. When internal reuse is not possible, the platform enables operators to connect with technological partners to facilitate equipment sales and therefore extend its useful life.

Waste

The waste we generate is managed outside our facilities by specialised waste management companies, which apply the most appropriate treatment according to the best available techniques, the environmental regulations in force and the established contractual requirements.

Whenever waste is collected, the staff responsible ensure that all the information is registered in Telefónica's waste management platform (GReTel). This allow us to obtain and analyse real-time data on the origin and destination of the waste produced by the Company.

This system enables us to be aware of the volume of waste removed, draft reports, analyse information and keep all documentary evidence to ensure proper compliance with environmental regulations in each country where Telefónica operates, thus aiding decisionmaking with regard to promotion of a circular economy approach to waste management.

> Relationship with our customers

We support and raise awareness among our customers to reduce their impact on the planet with the Eco Smart and Eco Rating labels, which encourage innovation and environmental impact reduction.



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

We also offer our customers repair services and options to trade in and refurbish mobile phones to extend their useful life and give them a second use. In this way, we reduce resources and energy consumption by avoiding

One of the Sustainable Development Goals (SDGs) we are working towards is the development of a sustainable consumption and production model.



> Relationship with suppliers

We work together with our suppliers to introduce ecodesign measures in products, we encourage the phasing out of single-use plastics and we opt for new models based on digitalisation and dematerialisation, such as acquiring products as services.

In addition, we are progressively incorporating circularity requirements in the procurement of electronic equipment, using as our benchmark the criteria established in the ITU-T L.1023 recommendation on the assessment method for circular scoring. This enables us to assess the ecodesign, the ability to be repaired, recycled and upgraded, as well as the durability of each electronic device acquired.

In addition, to encourage eco-efficient procurement, our Global Supply Chain Sustainability Policy includes environmental and circular economy criteria that are taken into account when suppliers provide products or services to Telefónica.

2.3.6. Progress in 2022

> Internal eco-efficiency

GRI 3-3, 301-2, 301-3,,303-5, 306-1, 306-2, 306-3, 306-4, 306-5

Network infrastructure maintenance is the main wastegenerating activity, but so are other activities such as those carried out in our offices and commercial activities with our customers.

The vast majority of the waste we generate comes from our network transformation process when we migrate from copper cables to fibre optics. In 2022, this transformation process was accelerated thanks to the Granada Plan for station shutdowns in Spain and the Vivo María do Carmo Project in Brazil, as well as various network transformation projects in Hispanoamerica and the 3G switch-off in Germany.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

We promote **circular economy** in our network transformation by prioritising reuse of electronic equipment and, if not possible, by extracting value from materials through recycling. This recovery allows us to generate revenues as the network's transformation evolves. In 2022, we generated 52,906 tonnes of waste of which we managed to recycle 98%. Regarding the **electronic equipment**, we reuse about 44% of the total equipment collected and recycle the other 56%.

As a result, we reused around 4.4 million items of equipment from our network, offices and customers, avoiding 358,103 tonnes of CO_2 associated with the manufacture of new products:

- Network equipment: we reused 229,907 units thanks to the MAIA project (39% of total network equipment managed), making progress towards our goal of zero network equipment being sent to landfill by 2025.
- Office equipment: we reused 18,314 pieces of equipment and donated 745 to non-profit organisations.
- Customer equipment: we reused 3.8 million pieces of customer premise equipment (routers and set-top boxes) and 386,210 mobile phones, corresponding to 56% of the total customer equipment managed. In addition, we have reused 86% of the total number of customer premise equipment delivered for refurbishment, which brings us closer to our goal of refurbishing 90% of this equipment by 2024.

Managed Electronic Equipment 2022 (Tonnes)

		Mobile phones	54
Reused	E E E 7	Customer premise equipment	1,896
equipment	5,557	Office equipment	19
		Network equipment	3,589
Recycled equipment		Mobile phones	40
	7,170	Customer premise equipment	1,508
		Network and office equipment	5622
		Mobile phones	0
Equipment sent to landfill	22.5	Customer premise equipment	0.1
		Network and office equipment	22.4
Equipment with other treatment	1	Network and office equipment	1

Electronic equipment (%)	2021	2022
Reused equipment	15.59%	43.58%
Recycled equipment	84.32%	56.23%
Incinerated equipment	0	0
Equipment to energy recovery	0	0
Equipment sent to landfill	0.10%	0.18%

VICKY and APOLLO: Circular Economy for Customer Premise Equipment

VICKY is an initiative that uses blockchain technology to achieve greater traceability throughout the value chain of modems, routers and TV set-top boxes. This significantly improves recovery rates, refurbishment processes and equipment lifespans. The solution has been recognized for its innovation (Gartner, Forbes) and for encouraging a more efficient, faster, simpler and more sustainable supply chain.

APOLLO, meanwhile, improves efficiency in reverse logistics processes by using big data and analytics to optimise collection routes for uninstalled or inactive equipment, both at the customer's premises and at collection points. Both initiatives are being rolled out across the organisation with the aim of reusing 90% of customer premises equipment by 2024 and being a zero waste company by 2030.

In terms of mobile handset reuse, Telefónica has a global **MARA** initiative, an omnichannel model with an end-to-end approach that allows our customers to assess their devices automatically and access trade-in programmes anywhere (home, retail and voice channels). This process optimizes device management times, reduces discrepancies and logistics while generating revenue from the reuse and resale of handsets, preventing them from becoming waste.



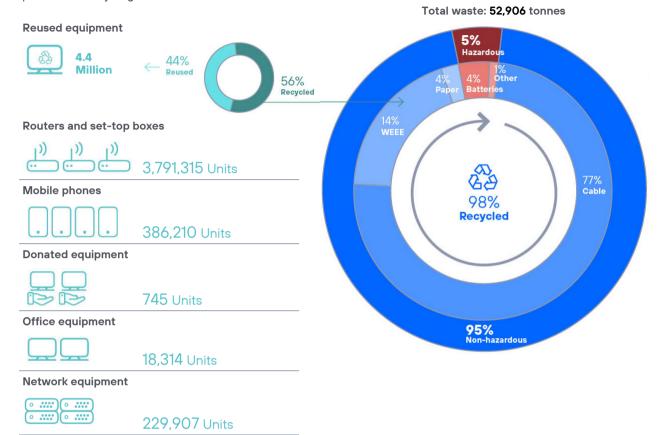
- Strategy and growth model
 Non-financial Information statement _Building a greener future
 - 3. Risks

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

Zero waste by 2030 thanks to reuse and recycling

Circularity in electronic equipment

To reduce its impact and waste generation, we extend the life of electronic equipment by reusing it wherever possible and recycling the rest:





- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Zero waste by 2030: targets and indicators

Target	Indicator	2022
Zero waste to landfill	% recycled waste	98%
To refurbish 90% of customer premise equipment (routers, set-top boxes, etc.) collected from customers by 2024	% CPE reused or refurbished	86%
Refurbish 500,000 mobiles a year by 2030 thanks to different programmes	Number of reused customer mobile phones	386,210
B2B/B2C customer equipment purchased with circular economy criteria	% of procurement processes for B2B/B2C equipment incorporating circularity criteria	Purchase of B2B routers and switches at Telefónica Spain
100% of new Telefónica-brand customer equipment ecodesigned by 2025	% of new Telefónica-brand equipment which have been ecodesigned	Life Cycle Assessment (LCA) on a new 5G router model

Talafánicala wasta	Non-hazardous waste			Hazardous waste			Total		
Telefónica's waste	2020	2021	2022	2020	2021	2022	2020	2021	2022
Total waste generated (t) (excludes reuse as it is not considered waste until its useful life has ended).	41,637	60,791	50,340	4,863	3,268	2,566	46,499	64,059	52,906
Waste diverted from disposal (t) (includes recycling, reuse and other treatments).	43,176	62,468	55,348	4,801	3,200	2,333	47,978	65,669	57,682
Waste directed to disposal (t) (includes energy recovery, incineration and landfill).	322	571	548	61	67	233	383	638	781
Treatments prioritized according to the wa	ste hiera	rchy princ	iple						
Reused equipment (t)	1,840	2,207	5,557	n/a	n/a	n/a	1,840	2,207	5,557
Waste recycled (t)	40,813	60,030	49,491	4,749	2,520	2,164	45,562	62,549	51,655
Waste for energy recovery (t)	1	17	68	17	21	148	18	38	216
Other treatments (t) ¹	502	191	300	53	681	169	554	871	470
Waste incinerated (t) ²	6	11	0	1	0	13	7	12	13
Waste sent to landfill (t) ²	314	543	480	44	576	72	358	588	552

All data in this table exclude the United Kingdom from the reporting perimeter to facilitate comparability between periods.

Water

In 2022, our overall consumption was 3,194 ML (3.2 Hm³), 765 ML in high water stress areas, which represents 24% of the total. This consumption was mainly due to sanitary use and to a lesser extent due to its use in air conditioning. For this reason, in each country where we operate we establish specific **measures** to **improve efficiency** in its use and **reduce** consumption, especially in areas where water stress is highest, as is currently the case in Spain, Chile and Mexico.

Over 1,700 buildings have a Sustainable Water

- · Water-saving systems and pressure monitors.
- Preventive maintenance to avoid leaks in taps, cisterns and water heaters.

Management Plan, which includes measures such as:

Awareness-raising campaigns for employees.

 Clauses in building maintenance and cleaning contracts to encourage efficient and responsible water use by our suppliers.

In addition, we collaborate with public and private sector entities to promote the efficient use of water, especially in Brazil where we have participated in the water thematic chamber of the Brazilian Business Council for Sustainable Development (CEBDS) and in the UN Global Compact's platform for action on water and oceans. It promotes the commitment of Brazilian companies to SDG 6 (clean water and sanitation) and SDG 14 (life below water) through the development of collective actions and impact solutions. All of this is aligned with the CEO Water Mandate platform and the UN Ocean Decade.

¹Other treatments: includes physical treatments, biological treatments, secure cells and intermediate treatments prior to recycling.

² 2020 and 2021 data recalculated according to the improvement applied as of fiscal year 2022: separate reporting of waste for landfill and incineration.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

In terms of the measures carried out in **regions with high water stress**, the following stand out:

- Treatment systems in cooling towers at Telefónica Chile
- The commissioning of the grey water treatment plant for the collection and reuse of rainwater and the installation of energy saving devices and sanitary supply valves with sensors to limit consumption in the Torre Telefónica building in Mexico.
- The sustainable water use plan implemented at our headquarters in Madrid (Spain), which reduces consumption by collecting rainwater for irrigation and other water-saving systems in sanitation.

Details of water consumption in 2022 (m³)

Total consumption	3,194,277
Municipal potable water	99.4%
Surface water	0.2%
Groundwater	0.4%

However, despite the savings measures implemented, the return to office-based working after two years of teleworking due to the pandemic situation has led to an increase in water consumption, albeit to levels somewhat lower than pre-pandemic levels (-2% vs 2019).

Water consumption from all regions (ML)

2019	2020	2021	2022
3,248	2,777	2,949	3,194

All data in this table exclude the United Kingdom from the reporting perimeter to facilitate comparability between periods. The 2021 figure has been recalculated due to better data quality obtained from our German and Venezuelan operations.

Water consumption from regions with high water stress (ML)

2019	2020	2021	2022
806	750	765	765

Water consumption in countries with high levels of water stress according to the Aqueduct Baseline Water Stress Atlas, from the World Resources Institute (Spain, Chile and Mexico)

Total water consumption

We adopt specific measures to achieve efficient consumption, especially in regions with high water stress.



76%

From non water-stressed regions



2/10/

From water-stressed regions



Paper

Of the paper we consumed in our offices last year, 96% was of recycled or certified origin (FSC, from the Forest Stewardship Council, or PEFC, from the Programme for the Endorsement of Forest Certification schemes). In addition, 189 million customers chose **paperless bills.** We therefore generated over 830 million electronic bills which avoided the consumption of 4,151 tonnes of paper and the felling of almost 70,564 trees.

> Relationship with our customers

For more details on the total customer electronic equipment reused and initiatives, please **refer to the previous section on internal eco-efficiency**.

In addition, we provide other initiatives for our customers, such as **Eco Smart** services and the **Eco Rating** label, which owing to their importance have been accorded their own specific chapter.



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



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> Relationship with suppliers

Ecodesign and innovation

Ecodesign helps us to extend useful life and reduce use of raw materials in manufacturing, lessen the energy consumption of the product and avoid emissions. Therefore, we cooperate with our suppliers to integrate ecodesign into electronic devices that are designed under the Company's brand image (Movistar, O2 or Vivo). Our aim is for all these devices to integrate ecodesign criteria from 2025 onwards. For this reason, from 2021 and throughout 2022, we have been collaborating with the Basque government's public environmental management company IHOBE in carrying out a **Life Cycle Assessment** (LCA) study on a new router model.

This study has helped us to ascertain which elements of the device have a greater environmental impact in order to establish measures to **reduce it** by design. The identified criteria will provide the basis for the incorporation of ecodesign in other devices. Additionally, we have undertaken a study of how repairable, recyclable and durable the device is in order to integrate the circular economy approach even further through its design.

Furthermore, we are working on reducing use of plastic in our SIM cards through our Half SIM Card format, which has enabled us to halve the amount of plastic used to manufacture the cards. It also represents an improvement in the **efficiency** of the logistics process, by reducing the size of the containers used to transport and store them. In 2022, we avoided the production and consumption of 228 tonnes of plastic. This format has already been implemented at nine of our operations and is gradually establishing itself as the main format in the Group. In addition, in 2022 our joint venture in the UK, VMED O2, incorporated recycled PVC/ABS plastic into its SIM cards.

Procurement using circular criteria

Following the 2021 pilot in Spain to apply circular criteria in the B2B router and switch procurement process, in 2022 we broadened expanded the product categories in order to expand the implementation of these guidelines. This allows technical areas to include circular economy criteria in more procurement processes.

We work with our suppliers **to reduce GHG emissions** from the products and services they provide us with through various initiatives explained in the section on Scope 3 emissions.



For further information, see chapter 2.2. Energy and climate change

VMED 02 UK

The details of the waste indicators for VMED O2 UK for 2022 are given below:

VMED O2 (Fixed and mobile operations)

Total waste produced (t)	5,053
Total waste recycled (t)	4,252



MILESTONES

- → Thanks to eco-efficiency measures, we recycled 98% of our waste.
- → In 2022 we repaired and reused 4.4 million items of electronic equipment.
- → We have sustainable water management plans in over 1,700 buildings.
- → We promote various Company initiatives (VICKY, APOLLO, MARA and MAIA) to boost our transition to the circular economy.
- → We are making progress in ecodesign and integrating circular criteria in the procurement of electronic equipment.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.4. Digital solutions for the green transition

KEY POINTS



54% of our solutions have been verified as Eco Smart solutions due to the environmental benefits they generate in our customers' operations.



In 2022, we conducted a survey of over 3,300 customers to understand how our connectivity services enable the reduction of CO₂ emissions.



We have implemented Eco Rating in 100% of our operations to help consumers make more informed and sustainable purchasing decisions.

2.4.1. Vision

At Telefónica, we are committed to achieving a world in which technology contributes to protecting the planet. That is why we promote the digital and green transition as twin transitions. It is becoming increasingly urgent to accelerate the green transformation of the economy and society to achieve the required level of decarbonisation and limit the global temperature increase to below 1.5°C. The digital transition is key to achieving this while at the same time improving the competitiveness of the economy.

Organisations such as the World Economic Forum and the Exponential Roadmap initiative state that digital technologies can help **reduce global greenhouse gas** emissions by 15% by 2030 when implementing solutions in industrial sectors, and up to 35% if we consider their ability to transform people's habits.

At Telefónica, we develop green digital solutions to help our customers in their transition towards more sustainable and competitive business models.



This issue is more important than ever in the current uncertain landscape marked by rising energy costs and geopolitical tensions. We also provide clear and transparent information on the environmental benefits of our products. In this way, B2B and B2C customers can incorporate sustainability criteria into their purchasing decisions and consume technology in a more responsible manner.

We envisage a world where technology contributes to protecting the planet.



2.4.2. Targets

We are committed to further develop new digital solutions to accelerate the decarbonisation of the economy.

The emissions avoided for our customers in 2022 are higher than our target of avoiding 12 million tonnes of CO₂ per year in 2025, because we have increased the scope of the calculation, including new services.

We are working on the definition of a new long-term target aligned with the methodological recommendations being developed in the European Green Digital Coalition (EGDC).



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.4.3. Risks and opportunities

While it is true that connectivity and digital solutions reduce CO_2 emissions from other sectors, according to the GSMA the telecommunications sector is responsible for approximately 0.4% of global emissions. Therefore, the challenge for us is to ensure that the **solutions we offer have a positive climate impact**, contributing to **reducing more emissions than they generate**. To do so, we are reducing the environmental footprint of our network with energy efficiency and renewable energy.



For further information, see chapter 2.2. Energy and climate change.

The UN expert panel has warned that the world must cut greenhouse gas emissions by 45% before 2030 and achieve net-zero emissions by 2050 globally.

This is why governments and businesses urgently need to transform society and the economy towards a low-emission, circular and environmentally-friendly model.

As a result, we foresee an **increased demand for technological solutions** from our customers to implement more sustainable processes. This will allow us to seize **new business opportunities** through our Eco Smart solutions and services which we will develop in the coming years based on innovative technologies such as 5G and artificial intelligence (AI).

2.4.4. Action plan and commitments

One of the priorities of our environmental strategy is **to boost connectivity and digitalisation as key factors enabling the green transition,** and improve the competitiveness of our customers.

At the same time, we also provide **information on the environmental benefits or attributes of our products and services** so that customers can identify how their technology purchase will contribute to achieving their own sustainability goals.

We have the following lines of action for this purpose:

> B2B - Development of Eco Smart services

We develop services based on connectivity, the Internet of Things (IoT), the cloud, big data and 5G. These solutions provide not only operational and cost-saving benefits, but also environmental benefits. To identify them, at Telefónica we use the **Eco Smart** label. These services are externally verified by AENOR.





VERIFIED BY **AENOR**

The label has four icons, which represent: energy savings, reduction in water consumption, reduction in CO_2 emissions, and the promotion of the circular economy.

The icons are coloured to identify the environmental benefit our products and services impact where applicable.

Below are some of our most significant Eco Smart solutions, all of which are based on our fixed and/or mobile connectivity.

Connectivity

Connectivity is the fundamental requirement for access to the digital world. It is a core service that we offer directly to our customers and is also present in the majority of the most-advanced digital solutions. Telecommunications networks are therefore the main and most powerful platform for making progress towards the green transition.

Our sustainability strategy focuses on optimising these networks through energy efficiency, renewable energy, and advanced technologies. This includes fibre optics replacing copper (85% more energy efficient) and 5G (up to 90% more efficient than 4G in terms of energy consumption per unit of traffic).

Thanks to this, we can offer a robust, secure, stable and increasingly-sustainable network to respond to the growing demand for data, allowing us to take actions that contribute to the reduction of CO₂ emissions, such as teleworking, migration of services and servers to the cloud, remote training, or medical care, among others.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Digital workplace

Productivity and collaboration solutions allow people inside and outside the organisation to connect and work remotely. They deliver **considerable environmental benefits** by reducing travel, fuel consumption and office HVAC. All this translates into lower CO₂ emissions and reduced pollution in cities.

Cloud

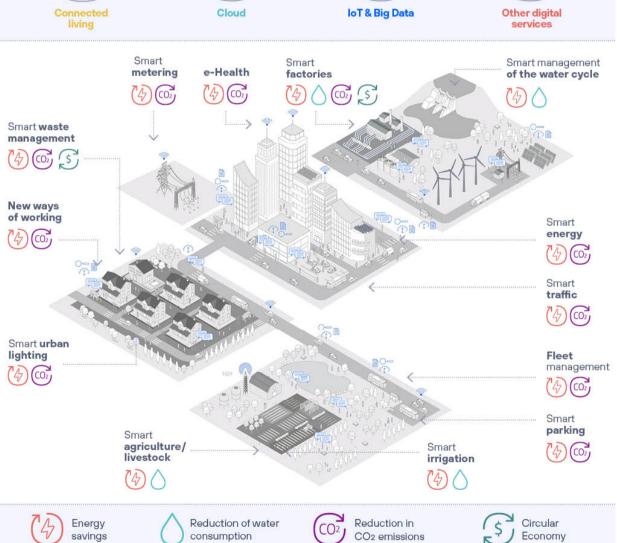
Companies are increasingly relying on the cloud to carry out an endless number of processes that make them

more agile, flexible and efficient. The cloud offers them a place to integrate all their networks and services safely, provides instant access to critical information and greater control of their business, and increases engagement among their employees.

Our commitment is to offer companies solutions that best suit their needs. That is why we have a comprehensive portfolio of global services, enhanced by worldwide agreements with leading hyperscalers including AWS, Google and Microsoft Azure.

Digital solutions for environmental challenges







- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Our cloud services use servers hosted in data centres that meet high energy efficiency standards. The average PUE (Power Usage Effectiveness) of our main data centres was 1.70 in 2022.

As a result, the migration of companies to the cloud leads to a reduction in energy consumption as well as a reduction in emissions.

IoT, big data, Al and blockchain

Technologies such as IoT, big data, Al and blockchain are key to economic recovery and sustainability.

All the connected objects and equipment generate data in real time. By combining them with our customers' data and other external sources, the processed and analysed information makes it possible to increase the efficiency of production processes, reduce consumption of raw materials, decrease wastage and even extend the life span of equipment. All this can be seen in services like:

- Smart meters for our customers, such as in Spain and the United Kingdom, where Telefónica manages millions of connected electricity, water and gas meters.
- Solutions for smart cities, based on optimising lighting, the use of parking spaces, waste management and collection, and high-granularity prediction and analysis of air pollution in cities.
- Energy efficiency solutions, telemetry, and remote management of energy consumption at the offices, factories or buildings of companies with large geographical dispersion, such as hotels, banks and supermarkets, among others.
- Agricultural management solutions such as Smart Agro, which enables innovation, digitalisation and data analysis for crops, with the aim of optimising resource use.
- Solutions for the transport sector helping to optimise planning of transport systems and infrastructure through greater understanding of passengers, timetables and routes, thereby adapting plans to the real needs of passengers with maximum budgetary control and minimal environmental impact.
- Mobility solutions, such as our fleet management and asset-tracking solutions.
- Solutions for Industry 5.0, in which private networks (5G or LTE) and associated solutions (for example, AGVs, drones, predictive maintenance, asset control and operator safety) take the manufacturing and mining industries and the port and airport management sector to a new level of operation, flexibility, productivity and efficiency.

In addition, the inclusion of the technological capacities of **blockchain** in many of the use cases mentioned above improves traceability, transparency and security, enabling

faster and more efficient ways of doing things. As an example, we have implemented document management (eliminating the use of paper in the management of delivery notes, official certificates, contracts, etc.) and the traceability of foodstuffs and medicines to optimise logistics and promote the circular economy.

5G solutions

5G is expected to represent an unprecedented, disruptive, technological change in different economic sectors and society over the next decade. At Telefónica, we are already marketing 5G solutions for large companies and administrations. The first use cases we offer involve, for example, the incorporation of robots into industry to improve processes and operations; remote assistance for supervision, assembly or operation of assets attended remotely by expert staff; and the use of drones for inspections of critical and remote assets, stock control, supervision and control of spaces, and swift assistance, etc.

These use cases prevent travel, improve predictive maintenance, increase the efficiency of productive processes and therefore generate significant environmental benefits for our customers.

> B2C - Connected living

Connectivity is the fundamental requirement for access to the digital world. Thanks to this, our **customers in the residential segment** can use applications or online services that allow them to **transform** many of their **daily actions into more environmentally friendly ones**.

To understand the usage profile of these applications and the adoption of new, more sustainable habits, such as reducing travel or commuting, in 2022 we launched a survey of over 3,300 customers in Spain, Brazil and Germany. With the data obtained, we have developed a methodology that allows us to measure the $\rm CO_2$ emissions avoided through the use of our connectivity and digital applications by B2C customers.



- 1. Strategy and growth model
- Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information
 - · Promoting cross-sectoral dialogue.
 - Contributing to the development of guidelines and recommendations for the deployment of these solutions.

Telefónica has been working along these lines for many years. For example, we not only use the Eco Smart label to identify environmental benefits qualitatively but we also measure the emissions avoided by the services.

Since 2019, with support from the Carbon Trust, we have developed a **calculation methodology that converts the efficiencies** (energy, operational or material consumption), produced by our services when implemented for a customer, **into avoided CO₂ emissions**. We continuously update it to include new digital services and the technological development of our solutions and customers, while applying industry guidelines or methodological recommendations.

Digitalisation is vital to achieving the emission reduction targets required to limit the average global temperature increase to below 1.5°C.



More digitalisation and fewer emissions in our daily lives.

The main findings of these surveys were that the digital services with the highest penetration are audio/video calling, online shopping and online banking. They all make it possible to reduce or eliminate daily commutes or longer distance journeys by facilitating teleworking, remote training and access to online services. This leads to a reduction in the fuel consumption of these vehicles, which are no longer in use, and therefore in the related GHG emissions.

Our customers also use car sharing apps and accommodation options -that are less polluting than traditional ones-, as well as public transport apps that provide real time information to boost their use and satellite navigation apps that provide the most efficient routes.

> European Green Digital Coalition (EGDC)

In line with our commitment to promoting green digital solutions and transparently communicating the environmental benefits they deliver, we have been a founding member of the EGDC since 2021.



EUROPEAN GREEN DIGITAL COALITION

It is an initiative promoted by the European Commission and the main European companies in the ICT sector. To make the EU's green transition possible, we, the participating companies, are committed to:

- Investing in the development and deployment of green digital solutions with a strong focus on contributing to energy efficiency.
- Collaborating with key organisations to develop standardised methodologies for assessing the net environmental impact of digital solutions.

> Other initiatives for B2C customers

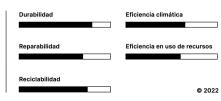
We want our customers to consume technology responsibly by providing them with information and alternatives that allow them to make the most sustainable choices.

Eco Rating

Telefónica is part of the Eco Rating consortium, the driving force behind a system that measures the environmental impact of mobile phones throughout their life cycle. Our aim is twofold: to help our customers make informed decisions about the handsets they buy and for mobile phone manufacturers to incorporate environmental criteria into their design and manufacturing processes.

The Eco Rating methodology **assesses the environmental performance of phones** from 1 to 100. The higher the score, the more environmentally friendly the phone.







- 1. Strategy and growth model
- 2. Non-financial Information statement _Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

It covers 19 environmental and material efficiency indicators and criteria. It is based on information provided by the manufacturers themselves on the technical specifications and components of each mobile phone.

Carbon offsetting in the purchase of devices

Telefónica's online shop for devices and accessories "tu.com" is the first sustainable-technology e-commerce shop in Spain.



On tu.com, customers can offset the carbon footprint associated with the manufacture of the devices they purchase (mobile phones, TVs, smartwatches, etc.). During the purchase process, information is provided on the kilograms of CO_2 resulting from the manufacture of the device and the option is offered to offset it free of charge by choosing from a number of reforestation or nature conservation projects.

Refurbished mobile phones

We sell refurbished second-hand phones with the aim of promoting the circular economy.



For further information, see chapter 2.3. Circular economy.

> Planet Pledge

In line with our commitment to transparency, in 2021 we joined the Planet Pledge initiative launched by the World Federation of Advertisers (WFA). It aims to help companies' marketing and communications teams to be part of the solution to climate change.



We are committed to:

- Being part of the global <u>Race to Zero</u> campaign and encouraging our marketing supply chain to do the same.
- Increasing the capacity of our marketing and communications teams to spearhead climate action by providing tools and guidance to marketing specialists and agencies.
- Harnessing the power of our communications to encourage more sustainable consumer behaviour.
- Enhancing a trustworthy marketing environment, where sustainability claims can be easily substantiated to build consumer confidence and avoid greenwashing.

2.4.5. Progress in 2022

> Avoided emissions

In 2022, thanks to the efficiencies generated by our **Eco Smart and connectivity services**, our customers **avoided the emission of 81.7¹ million tonnes of CO**₂. This demonstrates the capacity of new technologies to accelerate the transformation of the economy into a more sustainable model.

This figure, which is significantly higher than in previous years, is due to the fact that we have updated and added new services to our methodology for calculating the decarbonisation effects of our solutions. Specifically, we have included:

- Connected Living: mobile connectivity and broadband services for the B2C segment which enable our customers to use digital applications that allow them to adopt more sustainable habits such as teleworking, distance learning, audio/video calls, car sharing, use of satellite navigation apps, real-time access to public transport applications, shared accommodation, online shopping and online banking services.
- New remote healthcare services.
- IoT services for water cycle management.

> Eco Smart

Last year, we continued to roll out the Eco Smart label: AENOR has assessed the **Telefónica Tech**, **Spain**, **Brazil**, **Germany and Chile solution portfolios**, **certifying that 54% of the services we offer for the B2B segment** provide environmental benefits and contribute to mitigating the environmental impact of our customers.

¹ Of the total figure, 80.6 million correspond to services where Telefonica only provides broadband and mobile connectivity for the B2C segment and 1.1 million to IoT, Cloud, Big Data and Health services where Telefonica provides connectivity, IoT devices, platforms, servers and/or software. This data includes the emissions generated by the connectivity and network infrastructure that are part of these services.



- 1. Strategy and growth model
- 2. Non-financial Information statement Building a greener future
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> Eco Rating

In 2022, Telefónica implemented the Eco Rating in all our markets by extending it to operations in Latin America (with the exception of Venezuela, as we do not sell devices there) and Europe. Furthermore, since its implementation in all our markets, by the end of 2022 we have assessed 71% of the mobile portfolio we offer to our customers under this system.

The Eco Rating consortium has been expanded to include 9 telecommunications companies and more than 20 mobile device manufacturers. Collectively, over 300 handsets were assessed and we expanded the system to a total of 35 countries.

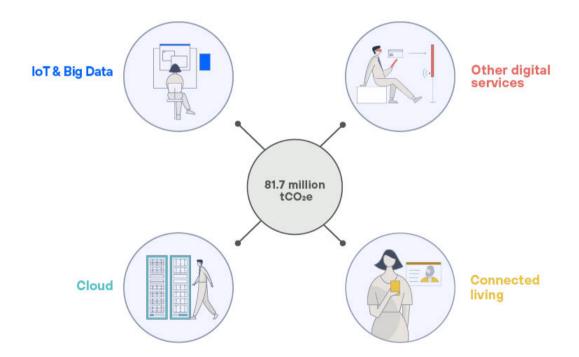
> Carbon offsetting for the purchases of devices

At the end of 2022, more than $388 \text{ tCO}_2\text{e}$ of device emissions have been offset at Tu.com.

> Planet Pledge

In 2022, we trained around 400 marketing, communications, events and sponsorship staff to identify the environmental impact of their projects and help them reduce it. We also provided them with guidelines and recommendations on how to avoid and detect greenwashing.

Customers' emissions avoided through digitalisation



(F)

MILESTONES

- → We avoided 81.7 million tonnes of CO₂e thanks to our products and services.
- → 54% of Telefónica's services have been verified as being Eco Smart.
- → We implemented the Eco Rating in 100% of our markets.



- 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







- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors 6. Other information

Our people management vision

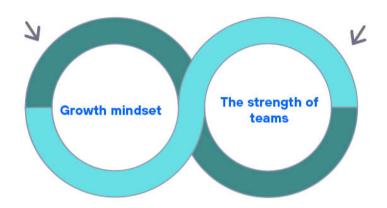
Our goal is to stand at the cutting edge of transformation, maximising Telefónica's people capital to meet business needs.

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

 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.



- 2. Non-financial Information statement Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report5. Annual Report on Remuneration of the Directors
- 6. Other information

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



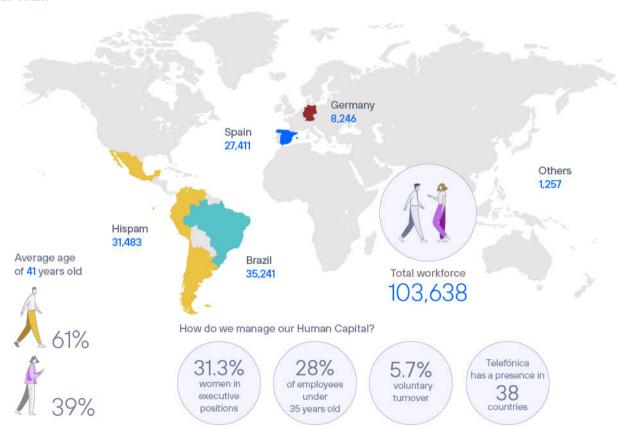
For further information, see Chapter 2.7. Diversity and inclusion.



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

Main KPIs on the Telefónica workforce can be seen below:

Our team



- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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	
	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.

- Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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

	Executi	ives	Midd managei	_	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

(-;-)

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



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.



Consolidated management report 2022

- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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).

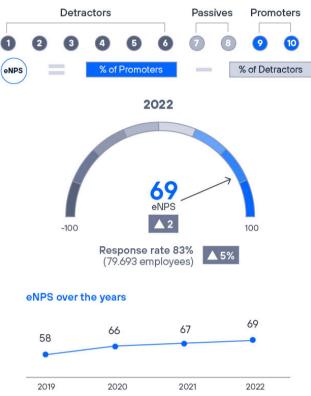
This procedure lets us align ourselves with the customer satisfaction measurement by using the same logic as the Net Promoter Score, which measures the percentage of promoters (those who give scores of between 9 and 10) against the percentage of detractors (those who give scores from 1 to 6).

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



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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%
	Executives	45%	50%
By professional category	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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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



65k

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

- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> 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.



- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks

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

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	Women		%	, •	Total	
		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

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

> Employee turnover

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

Region	Age group	Me	en	%	6	Wor	nen	%	,	Total		%	
		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 ¹	
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.

- 2. Non-financial Information statement Helping society thrive
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

Involuntary leavers (dismissals) by age group

Region	More tha	n 50	From 35 t	o 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 ²	
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	res	Middle Mana	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 ³	
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.

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



- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks

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

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

Region	Age group	M	en	9	6	Wo	men	<u></u> %		То	tal	%	
		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.

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Turnover by type of leaver

Region		untary vers ⁴	9	6	Volui leav	-	%	6	Chang perim and in moven	eter ternal	9	6	Oti leav	her ers ⁷	9	%	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 ⁸	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

[%] 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 ¹⁰	11.3	12.2	37.6	27.0 ¹¹

Average Turnover stands for leavers / average workforce.

⁴ Dismissals.

⁵ Resignations.

⁶ 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.

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

⁹ 74% 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%.

4. Annual Corporate Governance Report

Consolidated management report 2022

- 2. Non-financial Information statement _Helping society thrive 3. Risks
 - 5. Annual Report on Remuneration of the Directors 6. Other information

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 Women		
	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.

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 6. Other information

2.6.6. Training indicators

GRI 404-1

Total training hours by professional category, gender and region

Region Training hours		g hours	Executive training hours men		Executive training hours women		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 region¹

Region	Trair hours emplo	per	Exect training per em me	hours ployee	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		Other professionals training hours per employee women	
	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



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information
- 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.



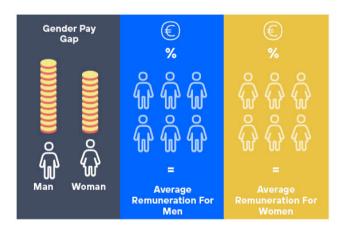
For further information, see chapter 2.17. Ethics and compliance.

> 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.

- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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 2157¹. 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)



2. Non-financial Information statement _Helping society thrive

5. Annual Report on Remuneration of the Directors

- 3. Risks
- 4. Annual Corporate Governance Report
- 6. Other information

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 employees by ethnicity and have initiatives to attract and

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.

promote leadership among ethnic minority professionals.

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 Telefónica collaborates **to close gender gaps in**society. Along these lines, we encourage women to take up digital and STEM careers and entrepreneurship.

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



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%² 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.

² 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%.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.





3 Risk

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information



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.

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

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%

^{14.213} employees under 30 years of age, of whom 6.641 are women and 7.572 are men.

^{64.116} employees between 30 and 50 years of age, of whom 26.529 are women and 37.587 are men.



Strategy and growth model
 2. Non-financial Information statement _Helping society thrive
 3. Risks

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

GERMANY		More tha	n 50	From 35	to 50	Under 35		Total	
	-	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%



- Strategy and growth model
 2. Non-financial Information statement _Helping society thrive
 3. Risks Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
 Other information

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%



- Strategy and growth model
 2. Non-financial Information statement _Helping society thrive
 3. Risks
 - 6. Other information

4. Annual	Corporate	Governance R	eport	
5. Annual	Report on	Remuneration	of the	Director

SPAIN		More tha	an 50	From 35	to 50	Under	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%



- Strategy and growth model
 Non-financial Information statement _Helping society thrive
 - 3. Risks A. Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
 Other information

HISPAM		More tha	ın 50	From 35	to 50	Under	35	Tot	al
		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%

- Strategy and growth model
 2. Non-financial Information statement _Helping society thrive 3. Risks

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

OTHERS		More tha	n 50	From 35 t	to 50	Under	35	Tota	I
		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.

2. Non-financial Information statement Helping society thrive

3. Risks

Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors

6. Other information

Nationality	Professional Category	Employees
	Executives	1,722
Brazilian	Middle Management	2,606
	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
	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 ³	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 ⁵	1,482

Young people

Indicator	2021	2022
Under 35	29%	28%

Executives (executive and management positions) and middle management.

⁴ 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.

- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Cultural diversity by region

Region	Emplo	Employees		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

		Aver	age Total R	emuneratio	on ⁶	Pay Gap				
	_	Wom	en	Me	n	Base Sala	ary (%)	Total Remuneration (%)		
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% ⁷	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.

⁶ 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%.

4. Annual Corporate Governance Report

Consolidated management report 2022

- 2. Non-financial Information statement _Helping society thrive 3. Risks
 - 5. Annual Report on Remuneration of the Directors 6. Other information

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

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

> Gender pay gap

Gross and adjusted pay gap

Country	Emplo	yees	% Men		% Women		Gross Gap		Adjusted Gap ⁸	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Group Total ⁹	101,520	101,227	62%	62%	38%	38%	17.49% ¹⁰	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 ¹¹	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 has been applied.

⁸ 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).

9 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%.

¹¹ 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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.







Our model is based on universality (it applies to all employees unless their role cannot be performed while working from home) and safeguards the health and safety of our workforce. It fully complies with local legislation and has been agreed with the main trade union organisations in the countries where we operate.

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> 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.



- 2. Non-financial Information statement _Helping society thrive 3. Risks

 - 4. Annual Corporate Governance Report 5. Annual Report on Remuneration of the Directors

 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

5. Annual Report on Remuneration of the Directors

- 3. Risks
- 4. Annual Corporate Governance Report
- 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

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

based on local regulations and international standards.

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 work-related 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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.

0 0 0

> 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).



- Non-financial Information statement Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.
	·



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)¹.

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.



- 2. Non-financial Information statement Helping society thrive
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information
- 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.

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors 6. Other information

2.9.6. Main occupational health and safety at work indicators²

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 ⁴	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 ⁵	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 ⁶										
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 ⁷	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.

⁵ 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.



- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

	Germany		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 ⁸	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 ⁹	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 ¹¹	0.00	0.00	0.00	0.00	0.00	0.00	8.00	4.00	0.00	0.00

⁸ 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.



- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

	Germany		Brazil		Spain		Hispam ³		Others	
_	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) ¹²	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	0
Rate of deaths resulting from an occupational injury TOTAL ¹³	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:

^{1.} On the basis of a global definition based on the list of occupational diseases from the International Labour Organization (ILO).

^{2.} 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.



- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 6. Other information

Coverage of the health and safety management system at work

	Germany		Brazil		Spain		Hispam		Others	
	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 ¹⁴	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 ¹⁵	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.

¹⁵ 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.

[&]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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

5. Annual Report on Remuneration of the Directors

- 4. Annual Corporate Governance Report
- 6. Other information

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 2nd 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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.





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

3. Risks

A. Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
 Other information

Main KPIs on digital inclusion		2021	2022
Digital Inclusion Benchmark (WBA)	Ranking position	1°	1°
	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 ¹	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 ²	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 ³	1,212,765	1,305,715
Digital skills training	Beneficiaries of basic digital skills development programmes	Not available	1,779
Digital skills training	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".



2. Non-financial Information statement _Helping society thrive

5. Annual Report on Remuneration of the Directors

- 3. Risks
- 4. Annual Corporate Governance Report
- 6. Other information

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).



1. Strategy and growth model

- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



1. Strategy and growth model

- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.

We work with benchmark associations to gain a better 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.

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).



1. Strategy and growth model

- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> 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 affordabilityOver 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 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.

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.

- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

Universal Service (millions of euros)

	2021	2022
Argentina ⁴	47	38
Brazil ⁵	62	75
Colombia ⁶	36	67
Ecuador ⁷	3	4
Spain ⁸	8	13
Peru	11	12
Venezuela ⁹	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.

⁴ Argentina: the value reported for 2021 only includes figures from the January-November period. November and December estimated.

⁵ Brazil: 2022*: FUST 272,086,640.54 and FUNTTEL 136,043,320.75.

 $^{^6}$ 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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

 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.



Consolidated management report 2022

- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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 programming, among others.

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.



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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> 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.





2. Non-financial Information statement Helping society thrive

3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.



- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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 Directors		Approval of strategic plan including Net Promoter Score (NPS) targets	Ongoing	
	Sustainability and Quality Committee	Monitoring of results and quality plans at a global and local level	Monthly	
Board Committees	Committee	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 Teams		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.



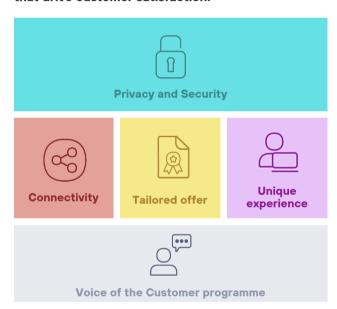
- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

 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.



- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors 6. Other information

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/#



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



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

2021 ¹	2022
26	30

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

¹ 2021 reported result 27.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.





- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.),





2. Non-financial Information statement _Helping society thrive

3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

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.

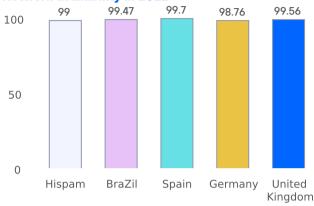
- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

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*



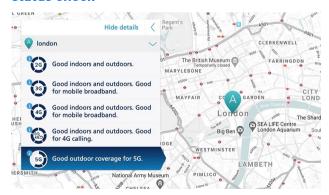
*Fixed and mobile network in Brazil and Spain. Mobile network in Germany and UK

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.



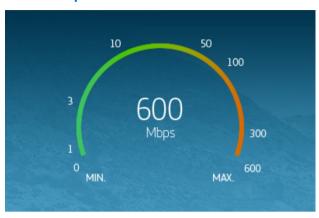
We are transparent and regularly publish information on the quality of our service. By doing so, we enable online checks of **mobile network status in real time** via our Internet portals.

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%.



- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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	sis 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

- 2. Non-financial Information statement Helping society thrive
 - 3. Risk
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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 ¹	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.

¹ Data corresponding to Telefónica Spain.





2. Non-financial Information statement _Helping society thrive

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors

6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

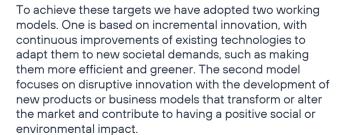
Telefónica has been recognised from the outset as being an innovative company. We understand innovation as the ability to anticipate the future, to understand the needs and challenges of society and our customers, and to be able to build an organisation that fosters a culture that drives transformation 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:

- Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



Core innovation

- Identifies opportunities to reinvent ourselves in the medium and long term.
- · 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.

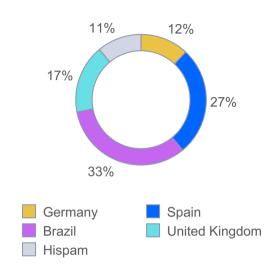
Main innovation indicators

	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.

- 2. Non-financial Information statement Helping society thrive
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.

- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



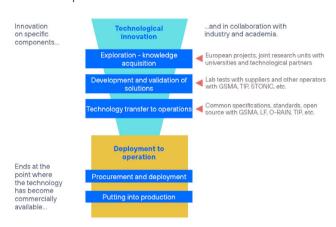
- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.







- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.

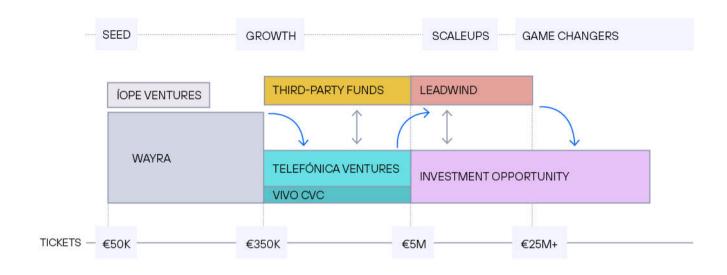
 Open Innovation Campus: through this initiative we design and develop models of collaboration with the academic world to connect with young people and incorporate new talent into the Company.



2. Non-financial Information statement Helping society thrive

5. Annual Report on Remuneration of the Directors

- 3. Risks
- 4. Annual Corporate Governance Report
- 6. Other information



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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.





2. Non-financial Information statement Helping society thrive

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.

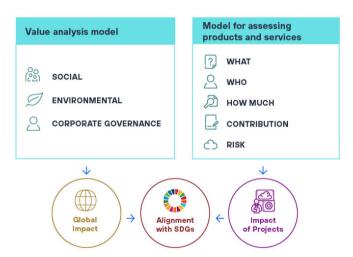
We have chosen to use the **Sustainable Development Goals (SDGs) as a strategic framework** to serve as a guide for our commitments to society and environmental protection. The SDGs allow us to analyse and measure our contribution and impact on socio-economic development.

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.

- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Our main aim is to incorporate the results obtained from impact measurement into active management and decision-making processes



> Sustainable Development Goals (SDGs)

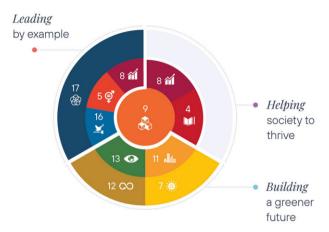
Since the publication of the Sustainable Development Goals, we have been analysing to which goals and targets we make the most decisive contribution. In doing so, we have taken into consideration our technical and commercial capabilities and the connections between the different SDGs, focusing on the 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.

- 2. Non-financial Information statement Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

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.



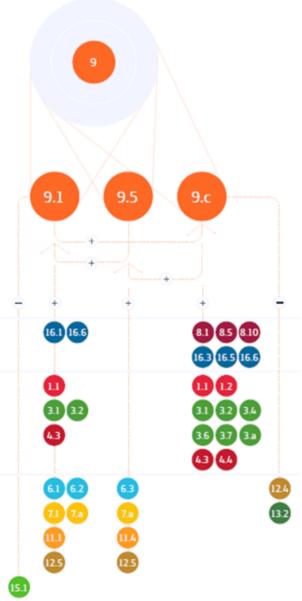
For further information, see chapter 1.4. Materiality.

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:



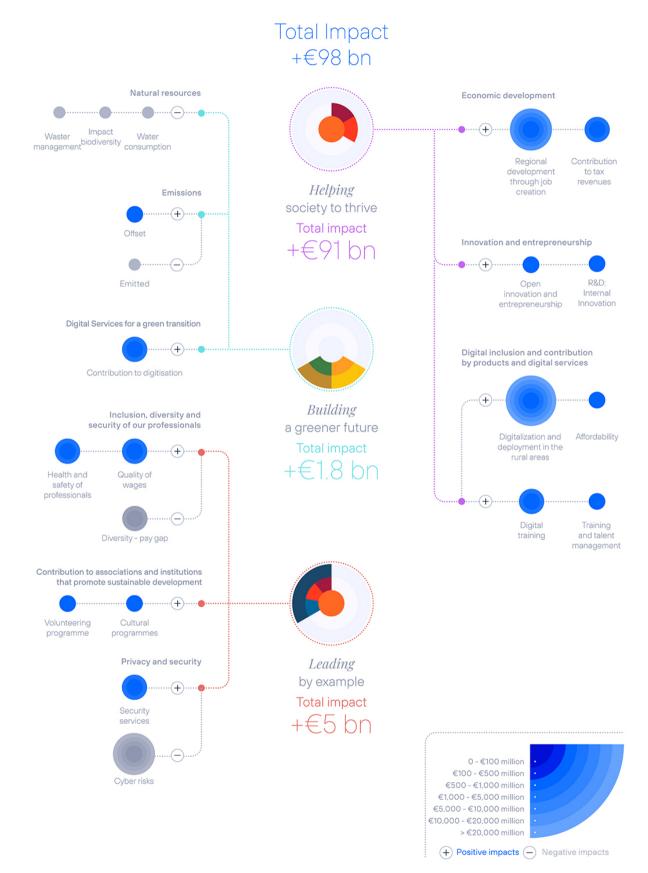
All this analysis is published on the Telefónica website in the report "A connected world, a sustainable world".

- Strategy and growth model
 Non-financial Information statement_Helping society thrive
- 4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

3. Risks



Please note: this data refers to the impact analysis based on calculation indicators for the 2021 financial year.

- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.

Cont	ribution 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	Emissions avoided thanks to renewable energy (tCO ₂ e)	902,019	845,456
technology needed to provide modern, sustainable energy services.	Emissions avoided through energy management (tCO ₂ 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 CO_2 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.

Co	ntribution 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 ₂) ¹	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".

- 2. Non-financial Information statement Helping society thrive
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3. Risks



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 ₂)	183,231	131,809
measures into the Company's policies and strategies	Indirect emissions (market-based method) (Scope 2) (tCO ₂)	353,506	221,537
through emission reduction programmes.	Other direct emissions (Scope 3) (tCO ₂)	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.



- 2. Non-financial Information statement Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information



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.

Contr	ibution 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



- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors 6. Other information

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.





2. Non-financial Information statement _Helping society thrive

5. Annual Report on Remuneration of the Directors

- 3. Risks
- 4. Annual Corporate Governance Report
- 6. Other information

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		
 -		
training courses in the course train	rficiaries of igital skills 1,212,765 ³ ng 1,212,765 ³ ramme ²	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.

² The number of people trained is 1,305,718 within the projects: "Lanzaderas", "Conecta Empleo", "Piensa en Grande" and "Escuela 42".

³ Data updated to 31 December 2021.

- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



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.

Contr	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% ⁵	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

⁴ 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 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%

- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



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%			

- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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 ⁶



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.

 $^{^{6}}$ In 2021, extraordinary transactions were carried out that change the results compared to 2022.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.

- 2. Non-financial Information statement_Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.

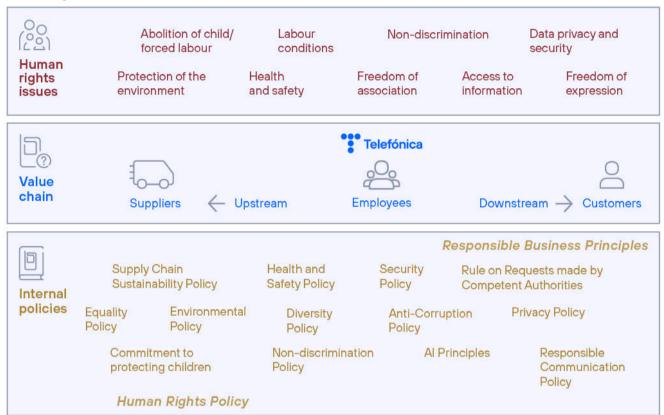
Data privacy and security, freedom of expression and decent working conditions are some examples of rights over which we play an essential role and must enforce, internally with employees and externally with suppliers and customers.

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.

- 2. Non-financial Information statement _Helping society thrive
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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.



- 2. Non-financial Information statement Helping society thrive
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors 6. Other information

> 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

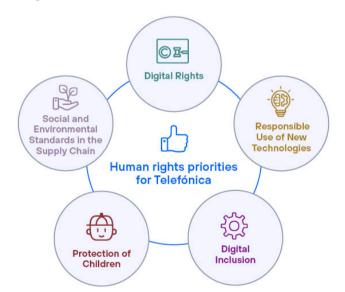
Global Human Rights Impact Assessment Frequency: every three-four years Methodology: through an independent, specialised consultancy firm Identification of the most significant impacts Risk assessments in all our operations Frequency: Biannually if a local risk or impact if a risk issue is is identified identified Specific impact assessment Local impact assessment (focusing on the domestic situation) (focusing on an issue)

- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 6. Other information

Priority issues identified in the 2022 Global Impact Assessments: issues and groups impacted

Operations	Products and Services	Human Resources ¹	Ethics and Governance	Value Chain ²
 Labour conditions Health and safety Privacy Cybersecurity Digital Inclusion Property Climate change Circular economy Biodiversity Water resources 	 Privacy Cybersecurity Responsible use of new technologies Freedom of expression and information Digital inclusion Protection of minors Climate change Circular economy 	 Labour conditions Diversity and non-discrimination Health and safety Privacy Cybersecurity 	 Fiscal responsibility Competitive behaviour Corruption and bribery 	 Labour conditions Health and safety Diversity and non-discrimination Privacy Cybersecurity Climate change Conflict minerals³
 Own employees Workers in our supply chain Vulnerable groups Local communities⁴ 	ClientsMinorsVulnerable groups	Own employeesMinorsVulnerable groups	Society in generalOwn employees	 Workers in the supply chain Migrant workers Clients Minors Vulnerable groups
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:



¹ Including freedom of association/right to collective bargaining, etc. Including equal remuneration etc.

² 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

³ Including child/forced labour, human trafficking etc.

⁴ Vulnerable groups take into account indigenous communities, women, seniors, ethnic minorities, persons with disabilities and other groups potentially facing discrimination.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

- Strategy and growth model
 Non-financial Information statement _Helping society thrive
 - 3. Risks

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

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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:

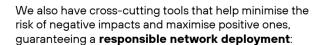
1. Human rights in the workplace

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
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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.



- 1. Strategy and growth model
- 2. Non-financial Information statement Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

> 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.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Helping society thrive
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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 ^{5,6}	2	5
% of significant investment agreements ⁽⁴⁾ signed by Telefónica S.A., Tech and Infra that contain human rights clauses. ⁷	100%	100%

⁵ 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).

⁶ 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.



- Strategy and growth model
 Non-financial Information statement Leading by example
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
 Other information







Leading by example













- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.16. Governance and culture of sustainability

GRI 2-24

KEY POINTS



In 2022, 91,347 employees received training in our Responsible Business Principles, Telefonica's code of ethics, based on integrity, transparency and commitment.



Our Responsible Business Plan is approved and monitored at the highest level and on a regular basis. It translates our code of ethics into targets and KPIs, which are then incorporated into the Company's strategic plan.



We ensure sustainability is part of our culture by integrating the pillars of ESG within our businesses, our processes, our variable remuneration and via training and awareness-raising initiatives for our employees.

2.16.1. Governance

GRI 2-9, 2-12, 2-13, 2-14, 2-16, 2-23

The Telefónica Group has a code of ethics and conduct: our Responsible Business Principles. The Principles form part of our sustainability policy as they help guide us to act with integrity, commitment and transparency.

To ensure that our Responsible Business Principles are the common thread guiding everything we do, we de have a **Responsible Business Plan**. This includes targets and projects in the key areas of our strategy's three pillars: leading by example, helping society thrive and building a greener future.

The priorities of the Responsible Business Plan form part of the **Company's Strategic Plan**, which contains the non-financial indicators that we cover in this Report. Some of the targets are also incorporated into the variable remuneration of all employees, including members of the Executive Committee.



For further information, see chapter 1.5. Strategy

The main governing bodies for sustainability are as follows:

Approval	Board of Directors
Supervision	Sustainability and Quality Committee Audit and Control Committee Nominating, Compensation and Corporate Governance Committee
Follow-Up	Responsible Business Office Due Diligence Office Energy and Climate Change Office
Implementation	Corporate Business and Support Areas Country Operators

The **Board of Directors** approves the Responsible Business Principles, the Responsible Business Plan and the most important ESG policies (anti-corruption, environmental management, privacy, diversity, equality and sustainable management of the supply chain). This forms our ethical and responsible business framework and the roadmap for all employees, which is complemented by training and awareness-raising.



For further information, see chapter 4.4. The organisational structure of the Administrative Bodies



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The Sustainability and Quality Committee oversees the implementation of the Responsible Business Plan at its monthly meetings. In addition, the Audit and Control Committee has an additional role in sustainability, as it oversees certain aspects related to non-financial information such as regulatory compliance, the risk analysis and management process, and the Company's reporting processes. On the other hand, the Nominating, Compensation and Corporate Governance Committee oversees the variable compensation system.

The **Responsible Business Office**, which brings together four times a year the heads of the areas of Global Sustainability, Compliance & DPO, Internal Audit, General Secretariat, Human Resources, Communication, Security, Procurement, Data & Analytics, Global Consumer, Technology and Information, Legal Services,

Strategy, Finance, Telefónica Foundation, Telefónica Tech and Telefónica Infra, among other functions, monitors the Responsible Business Plan. This Office reports to the **Sustainability and Quality Committee** through the Global Sustainability Officer.

There are two bodies under the Responsible Business Office, the **Due Diligence Office**, responsible, among other activities, for monitoring Telefónica's sustainability due diligence process, and the **Energy and Climate Change Office**, responsible for monitoring the implementation of the Climate Action Plan, among others.

The Corporate Business and Support Areas and the Country Operators' executive committees are responsible for implementing the targets of the Responsible Business Plan.

2.16.2. Telefónica Group's main policies and regulations related to sustainability



, H

Ethics

· Global Anti-Corruption Policy.

- Policy on Compliance Function (new).
- Rule on Compliance Function (new).
- Crime Prevention Policy.
- · Internal Rules of Conduct.
- Regulation on the Prevention and Management of Fraud in Telecommunications.
- Regulations on Relations with Public Entities.
- Complaints Channel Management Policy.
- Corporate Policy on the Comprehensive Discipline Programme.
- Fiscal Control Policy.
- · Policy on Risk Management.
- Policy on Competition Law (new).
- Regulation on Sanctions (new).

Supply chain

- · Policy on Supply Chain Sustainability.
- Regulation on Supply Chain Sustainability.
- Global rule on security in the supply chain.
- · Low Carbon Procurement Instruction.
- Procurement of Goods and Services Regulations.

Privacy and freedom of expression

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



Human capital



Human rights





Responsible communication Environmental management and climate change

- Protocol for Action in Situations of Workplace or Moral Harassment, Sexual Harassment and Discrimination
- Regulation on Occupational Health, Safety and Wellbeing
- Diversity and Inclusion Policy
- Equality Policy (new)
- · Diversity Policy in relation to the Board of Directors and Selection of Directors
- Remuneration Policy of the Directors of Telefónica, S.A..
- · Regulation on Telefónica Group Reinstatement of Former Managers and Former Employees

- · Global Human Rights Policy
- Principles of Artificial Intelligence
- Market Disclosure Regulations
- · Shareholder Communication Policy
- Responsible Communication Regulations
- · Social Media Regulations
- · Global Environmental Policy
- Energy Management Policy

COVERAGE OF POLICIES AND REGULATIONS: The main policies and regulations indicated above are applicable to Telefónica Group companies within the scope of consolidation.



For further information, see Appendix I: Scope of consolidation.

2.16.3. Culture aligned with ethical and sustainable management

Beyond ensuring ethical behaviour and responsible business management, we aim to make sustainability a cornerstone of our culture. In doing so, we seek to align behaviours, processes and targets with the Company's purpose and values.

We are guided by our Responsible Business Principles, which are developed across 10 areas:

- 1. Ethical and responsible management.
- 2. Corporate governance and internal control.
- 3. Respect for and promotion of human and digital rights.
- 4. Our commitment to the environment.
- 5. Innovation, development and responsible use of technology.
- 6. Responsible communication.
- 7. Our commitment to our customers.
- 8. Our commitment to our employees.

- 9. Our commitment to the societies in which we operate.
- 10. Responsible supply chain management.

To align internal culture with ESG (Environmental, Social and Governance) factors, we demonstrate their long-term business value. In fact, we ensure that every internal process or activity is in line with this vision. Moving the organisational culture forward and embedding a commitment to sustainability is a long-term task that requires shared vision and commitment at every level of the organisation.

We would like to highlight several lines of work that show in a tangible way how the Group's management is 100% aligned with sustainability criteria:

Training and awareness raising: we continuously train our entire workforce (part-time and full-time employees) in Responsible Business Principles and Human Rights. The course is mandatory and is monitored by the Responsible Business Office. Completion of the course implies the employee's acceptance of the Principles. In the case of new employees, in addition to finding the Responsible Business Principles document in the welcome pack, they are required to take the specific course within a maximum period of three months from



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

their incorporation. The course as well as the Responsible Business Principles are translated into English, German and Portuguese.

In addition, strategic training is given annually on key issues such as privacy, digital security, ethics and artificial intelligence, environmental management, accessibility and diversity, as well as on specific ethical and sustainability issues related to the design of our products and services, such as impact on human rights, ecodesign, accessible products and services, social impact and data ethics.

Training is reinforced by internal awareness-raising campaigns on conflicts of interest, gifts and invitations, responsible purchasing, environment, privacy, customer promise, etc.

 Internal processes and activities: our aim is for every employee to understand that sustainability is part of our daily activities. Sustainability is an element that brings value and differentiation to the different areas of the business. One example is the incorporation of ethical and sustainability aspects into product and service development processes.



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

 Alignment with business priorities: we show business use cases with the benefits quantified in figures. An example would be Eco Smart services, digital solutions that help our customers reduce their impact on the environment, which is measurable.



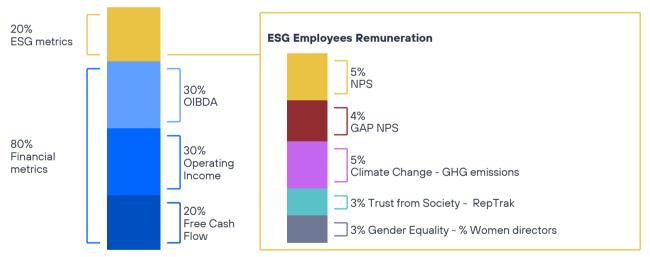
For further information, see chapter 2.4. Digital solutions for the green transition.

- Control processes and indicators: we ensure the robustness of non-financial indicator control processes.
- Remuneration scheme: 20% of the performance appraisal (short-term variable remuneration) of our employees includes sustainability indicators. A further 10% relates to in long-term remuneration, applying to senior management.



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

Annual variable remuneration





- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Long term incentive (2021-2026)



2.16.4. Progress

GRI 3-3

RBP training

In June, a new edition of the course was launched and assigned to all employees, incorporating the updates to the Responsible Business Principles implemented in 2021.

An extensive internal communication campaign was carried out and compliance was closely monitored.

In 2022, 91,347 employees received training, representing 89% of the average workforce¹⁾ totalling 163,125 hours.

Training in Responsible Business and Human Rights through the Principles Course

Number of employees who received training on responsible business and human rights through the Principles Course	91,347
Percentage of employees who received training in responsible business and human rights through the Principles Course	89
Hours of training on responsible business and	163,125

human rights through the Principles course

Other ESG training

We conducted various internal training sessions related to ESG issues:

Environment (E):

 Low carbon procurement: aimed at operations, procurement and sustainability teams to integrate internal carbon pricing into procurement in order to select more energy efficient equipment with lower associated CO₂ emissions.



For further information, see chapter 2.2. Energy and climate change

 Environmental management: internal training aimed at all Company personnel who have any duties related to the operation of the Environmental Management System, so that they can collaborate to manage environmental aspects and improve the organisation's performance.



For further information, see chapter 2.1. Responsibility towards the environment

 <u>Climate change</u>: training for marketing and communication teams as part of the Planet Pledge initiative.



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

Society (S):

 Accessibility: guidelines and training sessions to ensure inclusive communication with our stakeholders.



For further information, see chapter 2.10. Digital inclusion

- <u>Disability</u>: workshops and courses for employees, leaders and Human Resources areas to ensure the successful integration of talent with disabilities.
- <u>Diversity</u>: awareness-raising initiatives on gender, LGBT+, racial and generational diversity.



For further information, see chapter 2.7. Diversity and inclusion

Governance (G):

 <u>Ethics</u>: in addition to the Responsible Business Principles course, anti-corruption training was provided.



For further information, see chapter 2.17. Ethics and compliance



MILESTONES

- → Formalisation of Due Diligence and Energy and Climate Change Offices.
- → 89% of employees received training through the Responsible Business Principles course in 2022.
- → New training courses on ESG issues.

¹ Including within the "average workforce" those employees newly hired in the last quarter, those on paid leave during the training period and those from newly acquired companies in the process of integration whose deadline for training has not yet ended.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.17. Ethics and compliance

GRI 2-25

KEY POINTS



We have zero tolerance for corruption and bribery.



Training and awareness are key elements underpinning our culture of compliance. 94,840 employees received anti-corruption training in 2022.



Our Concern and Whistleblowing Channel ensures that our stakeholders have the opportunity to share their concerns, complaints and/or claims anonymously or personally.

2.17.1. Vision

Our vision is to strengthen our culture of ethics and compliance by bolstering the standards of adherence to mandatory rules and maintaining best in class ethical and business practices.

2.17.2. Governance

GRI 2-12

Our culture of ethics and compliance is **led** and driven by the highest level of our Company with a firm commitment to zero tolerance of corruption and **bribery**, and to other best business practices. We have clear lines regarding responsibility and the definition of key risks in this area.

The commitment of the Telefónica Group to fighting corruption and bribery, and to regulatory compliance in general, led the Board of Directors of Telefónica, S.A. to approve the creation of an independent regulatory compliance area on 16 December 2015, and subsequently the appointment of the Chief Compliance Officer of the Telefónica Group; this officer reports directly to the Board of Directors through the Audit and Control Committee.

The goal pursued was to continue to implement a compliance model at Telefónica in a much more targeted way, with due regard for all the activities performed up until that point by other areas of the Company in order to prevent corruption and bribery (for example: the internal audit, sustainability and legal areas). Both the appointment and the removal of the Chief Compliance Officer fall within the remit of the Board of Directors of Telefónica, S.A., at the proposal of the Audit and Control Committee and, where appropriate, of the rest of the competent bodies in this process.

The **Compliance Function** of the Telefónica Group reports directly to the Board of Directors through the Audit and Control Committee. Its purpose is to manage the preventive and reactive environments related to compliance with (a) legislation and (b) Telefónica's internal regulations, both at the Corporation and at a Operational level (countries and businesses) in general, while focusing specifically on those that are more sensitive according to the circumstances.

Governance of ethics and compliance

Board of Directors

Audit & Control Committee

Chief Compliance Officer

2.17.3. Policies

The internal regulations which implement the Responsible Business Principles, our code of ethics, with regard to integrity, ethics and compliance are listed below:

- · Anti-Corruption Policy.
 - · Regulations on Anti-Corruption Certifications for Management.
- · Compliance Function Policy.
 - · Compliance Function Charter.
 - · Compliance Function Organisational Manual.
- · Local crime prevention policies and regulations.
- Internal Code of Conduct for Securities Markets Issues.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

• Regulations on Relations with Public Bodies.

- · Regulations on Procurement Related to Public Bodies.
- Concern and Whistleblowing Channel Management Policy.
- Responsible Business Principles Channel Management Regulations.
- Corporate Policy on the Comprehensive Discipline Programme.
 - · Disciplinary Action Committee Manual.
- · Conflict of Interest Regulations.
- · Rules on Sanctions.
- · Competition Law Policy.

2.17.4. Risks and opportunities

One of our main challenges is to consolidate a culture of ethics and compliance designed to ensure the Company's future and sustainability, and contribute to guaranteeing the trust of all our stakeholders.

The nature of our business, **compliance with various national and extraterritorial regulations**, and the progressive demand for specific compliance programmes, represent a challenge to implementing this culture. Therefore, we must constantly adapt our compliance activity to the prevailing needs of each company or business unit.

We also foster training and awareness-raising initiatives, as a basic element of our compliance programme, in order to consolidate this culture so that our employees can adopt ethical and responsible decisions in the face of the dilemmas and conflicts they face during their daily activities.

2.17.5. Action plan and commitments GRI 2-23

To ensure ethical behaviour throughout our Company, we take several lines of action: the Compliance Function, identification of non-compliance risks, policies and procedures, due diligence controls, training and awareness-raising, consultation, internal reporting mechanisms for potential infringements, discipline and recognition, as well as possible remediation plans.

Targets

- Develop and implement training on integrity and compliance for suppliers and other commercial partners.
- Continue training specific groups of employees within the Group on issues related to international economic sanctions.

2.17.5.1. Compliance

GRI 205-1, 205-2, 206-1

The Compliance Function Charter, approved by the Board of Directors, defines the main lines of Telefónica Group's Compliance Programme, its interaction with the Company's business processes and other areas, and the matters identified as particularly relevant. The starting point for compliance management is risk assessment and the protection of integrity.

The function of compliance, in accordance with the current Compliance Function Charter, is deployed on two levels:

 Preventive control in order to generate a culture of compliance. It involves training and awareness-raising activities on issues such as anti-corruption, criminal prevention and sanctions, as well as supporting other Company training. It also includes continuous assessment of compliance risk.

It is also worth highlighting the **consultative activity** conducted through channels available to employees to make queries related to compliance issues (mainly related to the application of the Anti-Corruption Policy and other related internal regulations).

We also develop compliance-based **protocols for assessing suppliers and business partners**, which are put into practice in a context of continuous improvement. These include the assessment protocols applied to corporate transactions (mergers and acquisitions), in which we assess anti-corruption aspects and the risks of money laundering and terrorist financing.



For further information, see chapter 2.20. Responsible supply chain management.

Finally, we must mention other activities, such as internal regulatory monitoring, the preventive control model, management of conflicts of interest, and criminal prevention.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Reaction and response through action protocols for situations in which there is sufficient evidence of noncompliance. Response refers to the correction of the consequences through action: mitigating all the consequences associated with a possible breach, or a breach already evidenced, and ensuring the consistent application of the consequences for said breaches, as well as promoting the recognition of employees with outstanding behaviour in terms of their commitment to compliance.

In a dynamic prioritisation exercise, subject areas were identified in which compliance-based training is needed that extends beyond simply preserving integrity or international sanction regimes.

Compliance programme subjects

Integrity and sanctions		Privacy and personal data protection	å	Relations with competitors	6	Security
		Labour	90	Sustainability, supply chain and human rights	<u>@</u>	Compliance with sector-specific regulations and customer promise
	<u>P</u>	Тах		Compliance with specific financial regulations - money laundering and terrorist financing	Ê	Regulated areas ¹

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

> Anti-corruption compliance

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

With regard to the policies and procedures implemented in the Telefónica Group to combat corruption and bribery, it is worth highlighting, as a basis for the activities described above, the specific internal regulations in this area, the most significant being the Anti-Corruption Policy.

Among other aspects, the Anti-Corruption Policy sets out the guidelines on conduct which must be followed at Telefónica with regard to accepting or offering gifts or invitations and prohibiting any type of bribery; in the case of offering gifts or invitations to employees and public officials, this aspect is developed specifically by the Regulations on Relations with Public Bodies.

The regulatory framework on this subject is complemented by the Conflict of Interest Regulations² and the Corporate Policy on the Comprehensive Discipline Programme, among others.

As the parties responsible for establishing adequate controls and procedures to ensure compliance with the Anti-Corruption Policy, the Company's directors and executives certify their knowledge of and commitment to comply with the Responsible Business Principles and said policy on an annual basis, and with the associated policies, practices and regulations. In 2022, 100% of the executives signed the anti-corruption certificate.

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

As part of the Risk Management Model, based on the guidance from the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and which has been implemented homogeneously throughout the Group's main operations, senior Company management perform timely identification, assessment, response and monitoring of the compliance risk, within their scope of action. This includes the particularly important subject of integrity and encompasses the obligations associated with the Responsible Business Principles, in particular those relating to practices that prevent corruption. In 2022, the annual assessment of the aspects related to compliance risks and therefore with corruption risks covered the entirety (100%) of our operations.

¹ Regulated areas: this refers to compliance with legislation applicable to insurance and reinsurance companies, and pension fund and investment fund

management companies.

Telefónica's Conflict of Interest Regulations address situations in which an employee's personal interest (whether direct or indirect) influences or could be a conflict of Interest Regulations address situations in which an employee's personal interest (whether direct or indirect) influences or could be a conflict of Interest or Interest o influence - or creates the perception that it may influence - professional decisions to be made by that employee, where that personal interest or benefit may conflict with the interests of any of the companies belonging to the Telefónica Group. Our regulations make it a requirement to act at all times, and particularly in the case of a conflict of interest, in accordance with the corporate principles of loyalty, confidentiality and integrity.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2022

Assessed operations based on risks related to corruption.

100%



For further information, see chapter 3. Risks.

The following Group companies are UNE 19601:2017 Criminal Compliance Management certified: Telefónica S.A. (obtained in 2021), Telefónica de España, S. A.U and Telefónica Móviles España, S.A.U. (both renewed in 2020), alongside companies in its perimeter such as Telefónica Soluciones de Informática y Comunicaciones de España, S.A.U. and Telyco, S.A.U. (obtained in 2020).

In 2022, Colombia Telecomunicaciones was awarded the ISO 37001:2016 Anti-bribery Management Systems certification and Telefónica del Perú S.A. renewed that certification.

In 2022, Telefónica's commitment in this matter was recognised in the context of its participation in a project launched by "Business at OECD" with the aim of evaluating the role that technology can play in the fight against corruption. Telefónica's initiatives in this regard stood out among the different use cases identified in the private sector.

> Sanction compliance

At the present time, international sanction regimes – namely the commercial and/or financial and economic restrictions and/or prohibitions imposed by governments, regulators and/or other international organisations against governments, countries, individuals, entities and/or business sectors – constitute an increasingly important and highly complex reality.

Telefónica is committed to conducting its business in compliance with the international sanction regimes that may apply to it at any given time. Therefore, in 2022 the Board of Directors, as part of the evolution and continuous improvement of the Compliance Programme that Telefónica has implemented in this respect, approved new Rules on Sanctions which define the main controls in this area and reinforces Telefónica's commitment to compliance with applicable sanction regimes.

> Competition compliance

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

In 2022, in order to strengthen Telefónica's compliance programme in this area, the Board of Directors of Telefónica, S.A. approved the first **Competition Law Policy of the Telefónica Group**. This formalised the Telefónica Group's commitment to the principle of fair competition, enshrined in the Responsible Business Principles, in a rule that both demonstrates and facilitates the fulfilment of that commitment to fair competition practices in all markets, as well as reflecting our belief in free markets and fair conditions of competition.

On the basis of the approval of the Competition Law Policy, the course on competition law, which is included in the Training Opportunities Scheme and is aimed at all Telefónica Group employees, was reviewed and updated. Training sessions are also given on specific areas previously-identified.

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

In 2022, no (0) material judicial proceedings³ in progress for infringement of competition law regulations were identified and a fine was paid (€67 million) for anticompetitive practices in relation to the formal procedure opened in 2011 by the European Commission for the contract for the sale of the participation of Portugal Telecom in Brasilcel, N.V.



For further information, see the Consolidated Financial Statements.

> Money laundering compliance

With regard to money laundering, the Company has **payment controls** in place that include due diligence procedures for suppliers and business partners, defined from a compliance viewpoint, and controls on payments to certain high-risk countries. These are then complemented by activities specifically aimed at fulfilling the requirements of the legislation in each country, and/or certain regulations on this topic applicable to the type of company or entity in question (when under local legislation it is considered to be subject to the requirements in this area).

³ Taking into account issues whose materiality meets the reporting rules for the Consolidated Annual Accounts (whether it is greater than €40 million and classified as probable or €100 million and the risk classified as possible).



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

In particular, in 2022, under its continuous improvement strategy, on a Group-wide level Telefónica implemented, as part of the process, a new control on certain payments, stemming from previously-undertaken analysis regarding the need to strengthen the corresponding control model.

2.17.5.2. Training

GRI 205-2

A key element in promoting a culture of ethics within the Company is anti-corruption training. This training includes the following courses:

 The Responsible Business Principles and Human Rights Course (see chapter 2.16), covering aspects relating to anti-corruption and bribery in the section entitled 'Ethical and Responsible Management'.



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

- The Foreign Corrupt Practices Act (FCPA) Course, in online and in-person format, on the law against corrupt practices abroad. This course is aimed at certain areas of the Company that present a higher potential risk due to their greater exposure to the risk of public corruption.
- Other local courses on anti-corruption and crime prevention. Other specific training courses (including aspects relating to criminal prevention) are in most of the countries in which the Telefónica Group operates. In some cases, they are taught on an in-person basis and/or targeted at certain groups of employees whose activity may present a higher potential risk. Here we highlight the training on criminal liability given in Peru, Argentina, Chile and Ecuador, and at Telefónica Spain and the companies within its scope of consolidation which began training in 2021.

In 2022, stemming from the updating of the Responsible Business Principles, certain training courses which are particularly important for the efficiency of the Group's compliance model were reviewed, updated and launched. Specifically, the courses on the Responsible Business Principles, competition law, the FCPA and criminal prevention at Telefónica S.A. and the Spanish companies within its corporate scope, were incorporated into the Training Opportunities Scheme which was launched in June 2022 on a Group-wide basis.

As of December 31, 2022, 94,840 employees had received anti-corruption training, which represents 93% of the average workforce.

All the members (15) of the Board of Directors received anti-corruption training.

In addition, in 2022, a new course began on cybersecurity for employees: personal protection and co-responsibility, and the training on privacy was continued and extended to Group companies in the Hispanoamerica region. Other training activities also began for certain areas and relevant executive personnel of the Company concerning international sanction programmes.

Anti-corruption training in 2022

Number of employees trained in anti-corruption matters.	94,840
Percentage of employees trained in anti- corruption matters.	93

> Raising awareness

Another of the crucial elements of the compliance programme is that of raising awareness. There are various initiatives, at both global and local level, which target fostering a culture of compliance among employees. These include:

- a. Compliance Day, a day designed to familiarise the business with the function of Compliance and raise awareness among employees about the main issues that this area addresses. In 2022, we instituted the Compliance Quiz. One employee from each of the different units of the Group sent in a multiple-choice question related to compliance matters; some of the questions submitted were used to create a Compliance Quiz, which was launched to coincide with Compliance Day.
- b. The 'Five Stars' Recognition Programme, developed to promote and recognise behaviour that stands out thanks to its commitment to the issues of integrity and sanctions, privacy and security. In 2022, we held the fourth edition of these awards, in which 63 employees from different operations and companies were recognised as deserving Five Stars.

Also in 2022, we conducted a global compliance survey in order to measure the level of internal awareness about the different elements that make up Telefónica's Compliance Programme, and identify and undertake future awareness-raising and improvement activities.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Employees receiving anti-corruption training in 2022 by professional category and region

Country	Executives	Middle management	Other professionals	Total
Germany	152	519	4,325	4,996
Brazil	1,693	2,459	28,708	32,860
Spain	1,581	2,809	22,176	26,566
Hispam	747	2,592	26,758	30,097
Others	54	153	114	321
Total	4,227	8,532	82,081	94,840

% of employees receiving anti-corruption training in 2022 by professional category and region

Country	Executives	Middle management	Other professionals	Total
Germany	64%	76%	64%	65%
Brazil	100%	99%	94%	95%
Spain	99%	98%	97%	97%
Hispam	99%	88%	96%	95%
Others	74%	59%	14%	28%
Total	98%	92%	92%	93%

2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel

GRI 2-16, 2-26, 3-3, 205-3, 403-2, 406-1, 418-1

> Complaints

Telefónica has a **whistleblowing channel** which is **available to employees and stakeholders** (suppliers, shareholders, customers, investors and society in general), where they can report, on an anonymous or personal basis, any alleged irregularity or act in breach of the law or of internal regulations.

This channel is **available 24/7 on our website and on the Company's intranet** to enable access by all our stakeholders and thus comply with both the European Directive on the protection of persons who report breaches of EU law and also with the updated version of the Good Governance Code for Listed Companies.

When processing the complaints reported, the **principles** of confidentiality of the data provided, respect and substantiation apply. In cases where a significant or relevant irregularity is identified, the Audit and Control Committee, which reports to the Board of Directors, is informed. All individuals who report a breach are protected in accordance with applicable legislation or regulation.

The complaint may fall into the following categories:

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

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

The channel makes it possible to consult the status of a complaint, add information and contact the auditor responsible for analysing the complaint.



- Strategy and growth model
 Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

In 2022 we received 808 complaints through this Channel. As a result of the investigations, 374 were founded. Among the measures adopted as a consequence of the founded reports, there were 118 terminations of employment contracts.

Complaints

	2021	2022
Nature of substantiated complaints	% of total substantiated complaints	% of total substantiated complaints
Failure to comply with regulations	12%	15%
Fraud	23%	21%
Workplace/sexual harassment and/or discrimination	1%	3%
Conflict of interest	4%	5%
Information security/privacy	2%	3%
Inappropriate behaviour and other workplace disputes	38%	41%
Other	20%	12%
Total	389	374

Main indicators on complaints

	2021	2022
Complaints received	955	808
Substantiated complaints	389	374
Termination of employment measures taken as a result of substantiated complaints	152	118
Confirmed cases of corruption	0	0
Disciplinary measures taken or terminations of contract carried out in connection with confirmed cases of corruption	0	0
Cases of discrimination detected	0	0
Disciplinary measures taken or terminations of contract in relation to confirmed discrimination cases	0	0

VMED 02 UK

	2022
Confirmed cases of corruption	0



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> Queries

We have a channel through which all our stakeholders can make queries, give notice of or report, either anonymously or personally, queries, requests or complaints about any aspect related to the Responsible Business Principles.

In 2022, we received 711 valid gueries, of which 698 have been resolved as queries related to the themes of this channel. The themes into which the closed gueries have been divided are those represented in the following table:

Queries

	2021	2022
Responsible communication	5	6
Integrity	5	9
Environment	11	66
Supply chain	1	14
Privacy	9	30
Accessibility	3	5
Sustainable innovation	2	3
Human rights	2	5
Children's rights	1	0
Freedom of expression	2	0
Diversity and talent management	2	14
Others (for example, responsibility towards the customer, infrastructure) ⁴	153	546
Total	196	698

In 2022, as in previous years, the handling of these queries has made it possible to identify improvements in complaint and remedy mechanisms, but also in policies and procedures for the internal management of enquiries submitted by stakeholders.

Our Concern and Whistleblowing Channel is available in various languages and open to anyone, including our suppliers' employees.

2.17.5.4. Political neutrality

GRI 415-1

Telefónica is politically neutral. We do not take a direct or indirect position for or against any political party and we do not make donations (0€) to political parties or to organisations, whether public or private, linked to political parties. This does not prevent us, in compliance with prevailing legislation, from making our views known on matters that may affect the management and sustainability of the Company, through lobbying activities.

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

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

Our expenditure on contributions to industry bodies and to organisations or individuals performing representative activities for Telefónica amounted to €6,095,148 in 2022, 92% of which was allocated to industry bodies, including GSMA, SindiTelebrasil, ETNO and Bitkom, among others.

2.17.5.5. Responsible communication

We promote freedom of expression, pluralism and diversity, and we are committed to truthful information, education and inclusion.

We assume our responsibility to promote responsible, ethical and quality communication through the content we generate (entertainment, cultural, sporting, advertising and other content). Our Responsible Communication Regulation offers general guidelines for when we communicate with our customers and other stakeholders, use our social media, generate and disseminate content, generate our own advertising, or broadcast that of third parties.

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

· Publication in different public media to enable consultation by any user.

⁴The 'Others' category currently includes queries related to 'responsibility towards the customer' and 'infrastructure', which we redirect internally for resolution by the appropriate channels.

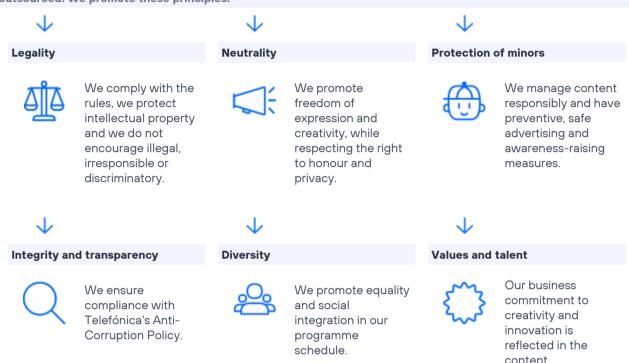


- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

 Implementation. It has been shared with all Movistar Plus+ stakeholders to ensure that it is accepted and respected on a daily basis by employees, suppliers and external collaborators, analysts, customers and society in general. Possible complaints/enquiries are channelled through the Concern and Whistleblowing Channel.

Movistar Plus+ Responsible Communication Code

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



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



For further information, see chapter 2.11. Customers.

2.17.5.6. Internal control

As set out in the Internal Control Policy, the Company has an internal control model defined in line with the COSO Internal Control — Integrated Framework.

Thus, internal control at the Telefónica Group is defined as the process undertaken by the Board of Directors, management and the rest of the Company's personnel, designed with the goal of providing a degree of reasonable assurance for meeting the targets relating to operations, information and compliance.

Internal control is designed to be a process that is integrated into the Company's day-to-day activities in which all the areas, within their areas of action (managers), are responsible for internal control and must take into consideration among their tasks the assurance elements necessary to achieve operational targets (effectiveness), with the least use of resources (efficiency), the availability of appropriate information for decision making and external reporting (information accuracy) and the observance of laws and rules (compliance). These aspects, above all, must take into consideration the possible contingencies that may arise in their development (risks), incorporating assurance elements with regard to possible contingencies (Internal Control structures), as well as for monitoring (supervision) activities and its own internal control structures within its area of responsibility



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The areas of action performed by Internal Audit include coordination of the Telefónica Group's regulatory framework by supervising the process of defining internal regulations, as set out in the policy governing the creation and organisation of the regulatory framework. In turn, the

Specific reviews are also performed that are of interest to the Board of Directors or the Company's management, which include investigations stemming from the whistleblowing channels provided for the purpose at the Telefónica Group, potential cases of fraud and specific reviews aimed at preventing fraud.

regulatory framework promotes actions that favour the

updating and communication of said standards.

In 2022, the Internal Audit area spent 86,096 workdays on the activities scheduled in the audit plan and, of these, 10,020 were related to fraud prevention and corruption prevention activities.

Number of days

	2021	2022
Fraud/corruption prevention,		
review of personal actions	10,808	10,020



MILESTONES

- → We launched a Group-wide Training Opportunities Scheme including essential training for the compliance model.
- → Our Board of Directors approved the Competition Law Policy and the Rules on Sanctions.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.18. Fiscal transparency

KEY POINTS



Telefónica's tax contribution in 2022 amounted to €7.7 billion globally: €19.2 per every €100 of turnover.



Taxes paid during the year amounted to €2.4 billion and taxes collected amounted to €5.2 billion.



Each year we publish the fiscal contribution per country: we highlight the €2.3 billion contributed in Spain and the €2.8 billion paid in Brazil.

2.18.1. Vision

GRI 207-1

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

At Telefónica, we are committed to the OECD guidelines for multinational companies to ensure strict compliance with our tax obligations. We strive to be a best-practice benchmark, ensuring that we contribute faithfully and loyally to the public finances of the countries and territories in which we operate, our compliance with the tax legislation and the principles that drive sustainability. The Company's fiscal contribution is one of its main contributions to the economic and social development of the environment in which it operates. Accordingly, in line with our commitment to fiscal transparency and our contribution to the UN Sustainable Development Goals (SDGs), we publish our total economic and social tax contribution on our corporate website in the section on sustainability-innovation/how-we-work/sustainabilitystrategy.

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

2.18.2. Governance

GRI 207-1, 207-2

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

The determination of the Group's tax policy and strategy is the responsibility of the Board of Directors and cannot be delegated; therefore, the Board of Directors is also responsible for their approval and any future modifications. The Group's Tax Department leads, develops and reviews the tax strategy.

The Group's Tax Department and the Regional Divisions report on a yearly basis to the Audit and Control Committee and, where appropriate, to the Board of Directors, on the following matters:

- · The tax policies and criteria followed by the Group in order to facilitate the task of supervising the tax risk management system, entrusted to the Audit and Compliance Committee by the Spanish Corporations Act, in accordance with the provisions of the Code of Good Tax Practices.
- · The status and development of tax risks.
- · The tax impacts of all relevant transactions submitted for approval in accordance with Section 529 Ter of the Spanish Corporations Act.
- Transactions that are particularly important from a tax perspective.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.18.3.Policies

GRI 207-1

The **Fiscal Control Policy**, approved by the Board of Directors and available on the Telefónica website, has the following objectives:

- Correct fulfilment of tax obligations in due time and form.
- Effectiveness and efficiency of operations with regard to tax matters.
- Position-taking or tax strategy duly supported and documented.
- Reliability of tax information.
- Transparency vis-à-vis third parties, especially the tax authorities.
- · Tax risk management.

2.18.4.Risks and opportunities GRI 207-2

As mentioned on the corporate website in the section Commitment/ How we work, we manage tax risks to prevent and reduce tax litigation to the extent necessary to defend tax positions legitimately taken by Telefónica. Accordingly, at Telefónica, we have a **Risk Management Model** in place based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), which enables the identification, assessment and management of the different risks (as explained in chapter 3. Risks).

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

Typology of tax risks and associated controls In relation to their origin, risks of a fiscal nature are classified as follows:

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

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

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

> Assessment of compliance with the fiscal governance and control framework

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

In addition, as indicated in the Annual Corporate Governance Report, Telefónica annually validates compliance with the content and commitments contained in the Code of Good Tax Practices and, therefore, that it is complying with its governance framework.

> Integration of the fiscal approach in the Telefónica Group

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

Those responsible for the tax area at each company participate in analysing all transactions that may have tax implications. For this purpose:

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

For further information in this regard, Telefónica develops the core principles of the fiscal control function within the Fiscal Control Policy (available on the corporate website in the section on sustainability-innovation/how-we-work/sustainability-strategy.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Although risk identification is a continuous process and Relationship between taxation, sustainable requires the involvement of the entire organisation, in the development and business case of tax risks the Corporate Tax Department promotes

The policy of control, evaluation and management of tax risks is developed in the Fiscal Control Policy available on the corporate website, in the section sustainability- innovation/how-we-work/ sustainability-strategy

and coordinates their identification and regular updating.







> Reporting obligations

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

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

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

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

2.18.5. Action plan and commitments GRI 207-2. 207-3

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

> Regulatory compliance

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

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

Telefónica also applies the arm's length principle in its transactions with related entities, aligning taxation in each country and territory according to its business there and the generation of value, in accordance with local tax legislation and the international taxation standards established by the OECD.

> Stakeholder engagement and management of tax concerns

Relationship with tax authorities

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

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

Based on the principles of transparency and mutual trust, we have voluntarily filed Transparency Reports with the Spanish tax authorities since the 2016 financial year, with the prior authorisation of the Audit and Control Committee, as part of the functions delegated by the Board of Directors. Our corporate website provides further information on the subject in the section sustainability-innovation/how-we-work/sustainabilitystrategy.

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

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Contribution to legislative initiatives in tax matters

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

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

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

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

Stakeholder dialogue

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

We maintain a constructive dialogue and collaborate with various key stakeholders, such as non-governmental organisations – such as Intermon Oxfam, the Haz Foundation and the Tax and Competitiveness Foundation – and government agencies through the Forum of Large Companies, which was created in 2009 as a body for cooperation between Spain's largest companies and the Spanish tax authorities. Likewise, we obtain all stakeholders' views on their expectations and perceptions about fiscal transparency in the consultation process that we perform for our materiality analysis.



For further information, see chapter 1.4. Materiality.

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

In fact, thanks to the progress made, we achieved the highest score in the S&P DJSI, MSCI and Sustainalytics indices.

Reporting unethical behaviour

As described in section 2.8.5 of the Non-Financial Information Statement, Telefónica has public complaint and remedy mechanisms in place (the Concern and Whistleblowing Channel) to report concerns about unethical or illegal behaviour and the organisation's integrity in relation to taxation.



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

Telefónica's Concern and Whistleblowing Channel handles any tax issues reported by our various stakeholders



2.18.6. Progress in 2022

GRI 201-4, 207-2, 207-4

> Contribution to the development of local economies and finances

In 2022, our Total Tax Contribution (TTC) amounted to €7.7 billion (€2.4 billion in taxes incurred and €5.2 billion in taxes collected), accounting for 48% of our distributed value¹ (value distributed as input and output taxes levied on the total value distributed, the latter being the sum of the following items: shareholder value -profit after tax-, wages and salaries net of taxes levied, net interest and input and output taxes levied).

Total subsidies received by Telefónica in 2022 amounted to €17 million (€16 million in 2021), which includes the receipt of capital grants and subsidies as other income.

The Group did not use any tax deductions in the latest corporation tax return filed in Spain.

For every €100 of turnover, we pay €19 in taxes (€6 incurred and €13 collected).



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

¹ Calculated on the basis of our own methodology.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

However, there are differences with the Group's Consolidated Annual Accounts, which are explained below:

- The Annual Accounts only include information on sales to third parties, whereas the Country-by-Country Report (CbCR) also includes intra-group sales.
- In relation to profit or loss before tax, there is an adjustment for the accrual of coupons corresponding to the subordinated perpetual debentures in the Netherlands.
- The differences in taxes paid are due to the Annual Accounts including not only corporation tax (as in the case of the CbCR), but also telecommunication charges, local taxes, other charges, licence fees and social security, etc.

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



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

> Contribution in countries

The following is a breakdown of the jurisdictions in which the Telefónica Group conducts its main business as a telecommunications services provider. Other jurisdictions where the Group is present, and in which its activities are not the Group's core business, are included under "Other". All amounts are given in millions of euros and refer to the financial year 2021.

The main companies that make up the Telefónica Group, together with their main activity, may be consulted in the 2022 Consolidated Financial Statements.



For further information, see Appendix I: Scope of consolidation



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2021 country-by-country report

Tax jurisdiction	Third-party income	Related- party revenues	Total income	Profit or loss before tax ²	Tax on profit paid ³	Profit tax ¹	No. of employees ⁴	Tangible assets
Germany	8,642	69	8,711	663	54	41	7,576	3,492
Argentina	2,296	64	2,360	-64	18	117	13,030	1,371
Brazil	7,569	49	7,617	882	44	-30	34,570	5,377
Chile	2,084	59	2,143	372	39	128	4,157	1,068
Colombia	1,335	15	1,349	-20	39	-41	6,114	876
Costa Rica	135	1	136	48	11	16	145	0
Ecuador	408	6	413	-11	11	0	935	238
El Salvador	122	3	126	-26	1	6	190	0
Spain	20,280	2,069	22,349	5,261	197	635	28,668	8,511
Guatemala	5	4	9	1	1	0	10	14
Mexico	1,042	67	1,109	-386	24	22	1,832	158
Panama	3	15	19	2	0	1	26	8
Peru	1,721	30	1,751	-554	41	141	4,810	1,156
UK	7,141	155	7,296	5,200	-7	194	3,008	13
Uruguay	230	109	339	104	14	16	591	309
Venezuela	104	3	108	90	1	30	1,661	40
Others	420	-890	-470	195	20	15	453	93
Total	53,537	1,828	55,365	11,757	506	1,293	107,776	22,725

² Contribution to the consolidated profit before tax and to the tax on profit, adjusted for the allocation to the year of coupons relating to subordinated perpetual bonds. The consolidated financial statements of the Telefónica Group are drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The local accounting regulations applicable in each of the countries in which the Group is present may differ from the standards

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

been allocated to the jurisdiction by which they are ultimately paid.

Rebates received from different administrations and corresponding to overpayments from previous years have been excluded in 2021, €30 million in Spain and €17 million in Peru and Chile, to be precise.

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

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

At year-end 2021, the differences relate to the permanent differences inherent in the preparation of corporation tax. In other words, they comprise all the expenses or income recorded on the income statement that will not be deductible or will not be taxed from a fiscal point of view and will therefore never be reversed in subsequent periods. The most relevant are the deductibility of the amortisation of goodwill in Spain and, in Brazil, the deductibility of the distribution of Juros on capital. There is also a significant difference owing to the non-activation of tax credits in countries with negative results.

In addition, during the 2021 financial year, extraordinary accounting adjustments were made to the corporation tax expense account, representing a significant part of the differences between the statutory and effective rates. In this regard, the effects of the tax assessments from the completion of the tax inspection in Spain for the years 2014 to 2017 were recorded, in addition to a decrease in deferred tax assets in Spain due to the restatement of their recoverability, a tax provision in Peru due to an unfavourable ruling by the Supreme Court and adjustments for tax rate changes in different countries, as well as the effect of non-taxable interests in Brazil. In addition, a substantial portion of the capital gains recorded in 2021 was exempt from corporation tax.

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





Tax contribution by country

Millions of euros	Contribution by country to consolidated Group profit before tax (1) 2022	Contribution by country to consolidated Group profit before tax (1) 2021	Total taxes paid 2021	Total taxes collected 2022	Total 2022
Germany	697	663	291	790	1,081
Argentina	-166	-64	165	393	558
Brazil	919	882	1,105	1,648	2,754
Central America	1	25	2	1	2
Chile	64	372	1	97	98
Colombia	118	-20	151	126	277
Ecuador	23	-11	66	25	90
Spain	795	5,261	427	1,847	2,274
Mexico	-228	-386	27	62	89
Peru	-103	-554	143	151	294
United Kingdom	294	5,200	-1	36	35
Uruguay	152	104	32	25	57
Venezuela	95	90	14	16	30
Others	21	195	15	15	30
TOTAL	2,682	11,757	2,438	5,231	7,669



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The breakdown of the corporation tax contribution is as follows:

Tax contribution by region

	2022		2021	
Millions of euros	Contribution by country to consolidated Group profit before tax	Tax on profit⁵	Contribution by country to consolidated Group profit before tax	Tax on profit
Europe	1,786	477	11,124	244
Latin America	874	530	413	229
Central America	1	2	25	13
Other	21	2	195	20
TOTAL	2,682	1,010	11,757	506

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

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

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



MILESTONES

- → We are one of the 34 companies which voluntarily filed the Transparency Report for 2021 with the Spanish tax authorities.
- → Thanks to the progress we have made regarding tax issues, we have achieved the highest score in indices such as S&P DJSI, MSCI and Sustainalytics.

⁵ Rebates received from different administrations and corresponding to overpayments from previous years are excluded in 2022, to be precise,€115 million in Spain and €12 million in Peru and Chile. In addition, the extraordinary refund from the Judgement Enforcement Agreement of the Spanish National Court of Appeals (Audiencia Nacional) (€790 million) is excluded in Spain as explained in Note 25 of the Notes to the Consolidated Financial Statements. With regard to 2021, rebates of €30 million in Spain and €17 million in Peru and Chile have been excluded.

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.19. Privacy and security

KEY POINTS



We protect our customers' data, monitored at the highest levels, with high standards of privacy and security, and empower them to have access to, and control of, their personal data.



We are transparent about how, why and when our customers' data is collected, used, stored and disposed of, as well as how we protect the data with a high level of security.



We are committed to increasing the percentage of contracts/RFPs that contain security requirements for the supply chain, with the goal of reaching at least 95% by 2025.

2.19.1. Vision

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

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

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

- Protection: data must be secure and the privacy of individuals must be preserved. This is the basis of our business and our primary consideration when designing our services and collaborating with third parties.
- Design: we apply privacy and security from the design, that is, from the initial concept of our products and services and throughout the development process.
- Control: individuals must be able to manage and have control over their personal data. In this way, access to their data, and to additional information on risks and benefits associated with its management, is made possible.
- Transparency: the principle of transparency is about making simple tools available to people in order

for them to control their data with the appropriate technological developments to generate maximum respect for privacy and information security.

We are also strongly committed to the right of children to privacy and security, to protecting their personal information and to fostering a safe use of technology.



For further information, see section 2.10.4.4. Secure and responsible use of technology

In addition, Telefónica is a global leader in the development and commercialisation of **cybersecurity** and managed security products and services. We provide more detail of our portfolio and achievements in this field in chapter 1.6 Organisation.



For further information, see chapter 1.6. Organisation.

This chapter describes the different aspects related to our internal privacy and security operations, which are applicable to our processes, products and infrastructure.

2.19.2. Privacy

2.19.2.1. Vision

Telefónica respects the fundamental rights and freedoms of individuals, including the fundamental right to the protection of personal data. The Responsible Business Principles, the Group's code of ethics, envisage the need



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

to **preserve this fundamental right** and establish common guidelines of behaviour for all the companies that form part of the Company.

2.19.2.2. Targets

In order to reduce risk exposure and raise digital trust, we continuously update our processes and policies:

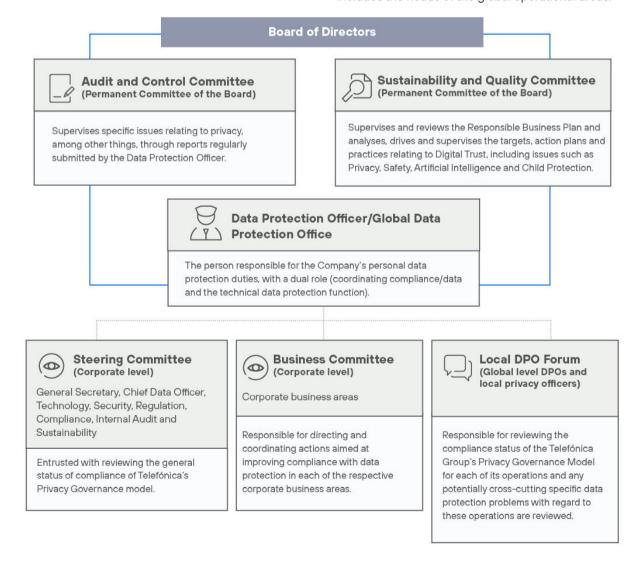
- · Update the Group's Privacy Policy.
- · Approve Binding Corporate Rules (BCRs).
- · Update the Global Privacy Centre.
- Create the regulations for the Artificial Intelligence Governance Model.
- · Updated and refresh training, while expanding reach.

2.19.2.3. Governance

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

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

In addition, the Board's Sustainability and Quality Committee is responsible for promoting and monitoring the implementation of Telefónica's Global Responsible Business Plan, which includes specific targets on privacy. The Board is informed monthly about the implementation of the Plan by the Corporate Sustainability Department, which is run by the Responsible Business Office and includes the heads of the global operational areas.





- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.19.2.4. Policies

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

Privacy regulations



Global Privacy Policy

Corporate Rule

Approved by the Board of Directors

Telefónica S.A.



Establishes the mandatory rules for all of the company's entities, in order to create a privacy-focused Company based on the principles of legality, transparency, security, limitation of storage time and commitment to the data subjects rights



Regulation of the Governance Model on Personal Data Protection

Corporate Rule

Approved by the DPO Office Department

Telefónica S.A.



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



Regulations Governing Enquiries from the Competent Authorities

Corporate Rule

Approved by the Ethics and Sustainability Department

Telefónica S.A.



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

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

2.19.2.5. Risks and opportunities

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

Further information on this issue can be found in chapter 3. Risks.



For further information, see chapter 3. Risks.

2.19.2.6. Action plan and commitments

The privacy strategy is based on three pillars:

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



1. Strategy and growth model

- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Our main lines of action are:

- · Privacy by Design
- · Digital privacy
- · Transparency initiatives
- · Customer empowerment
- · Consultation and complaint mechanisms
- · Binding Corporate Rules
- · Monitoring and training of suppliers

> Privacy by Design

The principle of **Privacy by Design** is one of Telefónica Group's key strategic pillars and is defined in our mandatory internal regulations.

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

We have our own Privacy by Design guidelines to define the set of rules, standards and legal and security processes that must be taken into account to comply with our **Global Privacy Policy.** All of this is to ensure that the rights and freedoms of individual's personal data are guaranteed as from the initial definition of any processing project or activity. These practical guidelines stand as reference documents for the Group's professionals in charge of developing and implementing products and services, as well as for internal use cases that directly or indirectly involve the processing of personal data.

In addition, product managers are supported by the privacy and security specialists in the area of each company and/or business unit of the Group, in order to ensure that all the necessary privacy-related legal and security requirements are taken into account from the start of relevant projects.

We use a **risk management-oriented approach of proactive responsibility** (critical and continuous self-analysis in the fulfilment of the obligations required by the regulations) to establish strategies for each product or service that incorporate privacy throughout the entire data life cycle: collection and obtaining, processing, exercise of rights, and retention and deletion.

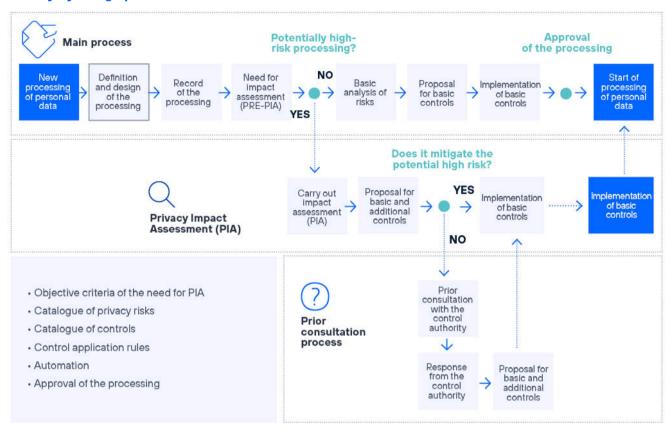
When defining or developing any product or service, the practical application of Privacy by Design involves aspects such as: the lawfulness and definition of the grounds legitimising the processing; the guarantee that the data is secure and that the most appropriate security measures are being applied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

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Privacy by design process





For further information, see chapter 2.13. Sustainable innovation.

Digitalisation of Privacy by Design (Digital Privacy Framework- DPF)

The DPF is Telefonica's framework for the global legal and privacy strategy with respect to the General Data Protection Regulation (GDPR) and the ePrivacy regulation on data processing platform products and systems.

In the DPF we adapt the privacy legal compliance guidelines to a technological reality to standardize and conceptualize the functional and technical requirements of the dynamics of privacy systems, and apply them automatically and digitally in the processing of personal data.

This digitilisation is implemented from design, and naturally enables a dynamic and automatic privacy process to be built between the customer and the systems to carry out the processing of personal information and compliance with the GDPR.

We are implementing this digitalisation framework in our systems and platforms where data processing takes place, for example, in Kernel, Telefónica's big data platform. The Digital Privacy Framework made significant progress in Spain during 2022 and will continue to do so

during 2023 in operators with more demanding data protection jurisdictions, for example, with respect to anonymisation requirements.

> Transparency initiatives

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

Global Privacy Centre

The Global Privacy Centre is a public reference point for our policy and processes. Available at www.telefonica.com, our stakeholders can find all the information they need easily and in a simple format by means of visual and graphic resources. Our objective during 2023 is to continue improving on this centralized channel including linking all of the Groups Transparency centres to present all the relevant information centrally.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Operators' Privacy and Security Centres

The purpose of these centres is to enable both our customers and any stakeholders to obtain information, in a simple, digital and understandable way, with regards to the processing of their personal data and other relevant information on privacy and security matters. The Information available includes data on channels and avenues to excercise rights, the security and confidentiality measures adopted to process data, the privacy terms and conditions applicable to our products and services, transparency reports and our Artificial Intelligence principles, as well as the **child security and protection** issues that apply in each case in digital environments.

The Privacy and Security Centres are currently available on the websites of all the operators. They are updated regularly in accordance with regulation and stakeholder analysis,

The **Transparency Centre** has also been launched on for our **content platform**, **Movistar+**. The service is available through the Mi Movistar section and allows customers control their data.

Telecommunications Transparency Report

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

We follow a strict procedure for any request, which is laid down in the Regulations on Requests from Competent Authorities. This guarantees, in equal measure, the fulfillment of our obligations in terms of collaboration with these authorities and the **protection of the fundamental rights** of the people affected, in accordance with our commitment to respect for human rights.



For further information, see chapter 2.15. Human Rights.

In 2022, a total of 3,761,918 requests for customer information from competent authorities (lawful interception and access to metadata) were recorded. Of these applications, 230,226 were rejected, which was 94% of the requests dealt with. The number of accesses/customers affected was 4,003,851.

> Customer empowerment

As part of the principle of transparency, Telefónica provides customers with access to the data they generate during the use of our products and services, data that are collected in the so-called 'Personal Data Space' of Kernel and which are accessible through different channels.

The **Transparency Centre** in Spain, which offers all customers access to their privacy preferences and management of the data collected in the 'Personal Data Space', is currently available to a group of users through the Mi Movistar app (in the Security and Privacy section of the User Profile) and has been available through the television channel in Spain since 2022.

In the Transparency Centre, through the Privacy Permissions section, customers can manage the legitimising grounds relating to the use of their data for certain purposes. In addition, the Access and Download section includes useful views of different types of data, with a user-friendly experience, in compliance with privacy criteria; there is also the option of downloading a more detailed document.

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

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

> Consultation and complaint mechanisms

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

Responsible Business Channel

We have a public channel on our website where all our stakeholders can enquire or complain about any aspect related to the Responsible Business Principles. In 2022, 30 communications on privacy and 0 on freedom of expression were processed.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Voluntary mediation system with AUTOCONTROL

This system has been operational since January 2018, and is designed to provide a swift response to complaints related to **identity theft and the receipt of unsolicited advertising**. The procedure was developed by the Asociación para la Autorregulación de la Comunicación Comercial (AUTOCONTROL) in collaboration with the Spanish Data Protection Agency (AEPD). It also involves the participation of Orange, Telefónica and Vodafone, and is open to other entities. This information can be found in the Movistar Privacy Centre. In 2022, 227 requests for mediation were processed.

> Binding Corporate Rules

Binding Corporate Rules (BCRs) are designed to permit the international movement of data within the Telefónica Group in accordance with article 47 of the GDPR, in particular the data from the European Economic Area (EEA) to countries outside the EEA.

The implementation of the BCRs will foster an improvement in compliance with the European regulations throughout the Telefónica Group, by enabling Telefónica to transfer personal data swiftly regardless of the place where the recipient Telefónica subsidiary is located.

In addition, the BCRs will provide more legal certainty by facilitating the alignment with the Group's organisational model.

In 2022, Telefónica began the process of approving its BCRs and has followed the following steps:

- · Analysis of international intra-group transfers.
- · Drafting of Binding Corporate Rules.
- Designation of the AEPD as the lead supervisory authority, responsible for leading the process, as well as the interested supervisory authorities for cooperation in the approval procedure, following a proposal by Telefónica.
- Sending the BCRs and complementary documentation to the lead authority for approval.

> Management of our supply chain

One of Telefónica's priorities in ensuring privacy is successful management of the supply chain in relation to the processing of personal data by third-party contractors. To this end, we have incorporated common data protection agreeements across the whole Group and included specific commitments asssumed by suppliers with regards to international transfers.

In 2022, a series of automated control measures were implemented to ensure successful processing of personal data before, during and after the provision of the service by the supplier. Additionally, to ensure protection of personal data managed by third parties, automated

mechanisms were developed to enable the optimisation of training initiatives.

2.19.2.7. Progress in 2022

Telefónica has developed an internal tool to facilitate compliance at the Group with the data protection regulations and, in particular, in order for each area to perform the following tasks, among others: creating the Record of Processing Activities (ROPA) and keeping it updated; management and recording of security breaches; recording requests to exercise GDPR data subject rights; management of electronic signatures of data protection agreements (DPAs); and management of privacy indicators.

Proof of our progress in terms of privacy and freedom of expression is that in 2022, and for the third consecutive year, we were first among all telecommunications companies in the Ranking Digital Rights (RDR). This ranking assesses corporate commitments, policies and practices that affect freedom of expression and customer privacy, including governance and oversight mechanisms.

2.19.3. Security

2.19.3.1. Vision

Security aims to protect against potential damage to people and property, and to guarantee the confidentiality, integrity and availability of the Company's information assets.

At Telefónica, security is approached as an **integral concept** which includes physical and operational security (of people and goods), digital security (encompassing information security and cybersecurity), business continuity and fraud.

The increase in the number, complexity and type of threats makes it necessary to apply security measures and review them in a **cycle of continuous improvement**. Our strategy is based on a number of security activities that reinforce both the Company's processes and its transformation initiatives, compromising a security management system in line with international reference frameworks and standards such as **ISO 27001** and **NIST (National Institute of Standards and Technology)**

2.19.3.2. Targets

In the short and long term, the targets we have set are to:

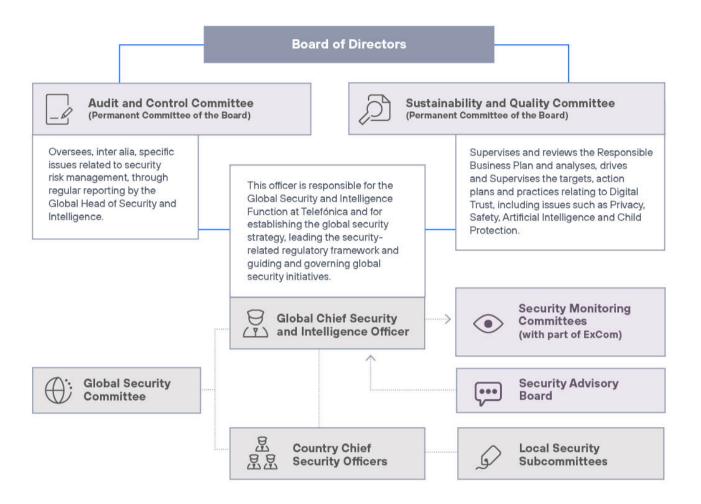
 Review the global regulatory framework on security to align it with new versions of international standards, such as ISO 27001.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information
- Move forward in deploying the Zero Trust¹ model to control IT system access and implement tools to govern the security of cloud environments.
- Increase the percentage of contracts/RFPs that contain security requirements for the supply chain, with the goal of reaching at least 95% of suppliers by 2025.

2.19.3.3. Governance

The global Security and Intelligence Area has the backing of the Company's management and reports to the Board of Directors through the Sustainability and Quality Committee and the Audit and Control Committee. It also coordinates with the local security departments, as shown in the following diagram:



The head of security at the Company is the Global Chief Security and Intelligence Officer (the Global CSO), who has been delegated, by the Company's Board of Directors, the authority and responsibility to establish the global security strategy. The Global CSO leads, monitors and supervises implementation of the policy framework and that of the global initiatives. The Global CSO nominates a local security manager at each Telefónica Group company. The nominations are submitted for a decision from the corresponding company's management bodies.

The Global Security Committee coordinates and governs activities. The Committee is and is chaired by the Global Director of Security and Intelligence. The local Chief Security Officers (local CSOs) and the corporate heads

of different areas of the Company (Compliance, Audit, Legal, Technology and Operations, People, Sustainability, etc.) are committee members.

There are also local security sub-committees chaired by the local CSOs, which take part in defining strategic initiatives and global guidelines and implement them in each Telefónica Group company.

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

¹ Zero Trust is a security strategy applied to access to information, which will be provided through "minimum privilege" control techniques. It will be end-to-end encrypted and guided by the principle of "never trust, always verify".



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The Global Security and Intelligence Area reports to the Board of Directors through the Sustainability and Quality Committee and the Audit and Control Committee.



Telefónica also has a **Security Advisory Board** made up of major figures from outside the Company, in the field of security and intelligence, with the aim of contributing best practices, increasing the efficiency of capabilities and procedures, and enhancing the quality of our strategy in this area.

2.19.3.4. Policies

At Telefónica we foster regulatory security policies that are **mandatory for all Group companies**. All the documents are reviewed and updated as a result of a cycle of continuous improvement. In these reviews, account is taken of periodic measurements and audits of security activities, changes in context and newlyidentified risks, as reflected in the following diagram:

6. Other information

Consolidated management report 2022

Security regulations

Governance **Security Committees**

Global Security Regulations



Global policy

Global Security Policy



Global rules



5. Annual Report on Remuneration of the Directors

Global regulations

- · Management of Incidents and Emergencies
 - Analysis of Security Risks
 - **Business Continuity**
 - Security in the Development Life Cycle
 - Security in the IT Infrastructure
 - · Security in Networks and Communications
 - Cybersecurity
 - Security in Change Management
 - Classification and Processing of Information
 - Security in Asset Management
 - Access Control
 - **Physical Security**
 - People's Safety
 - Prevention and Management of Fraud in Telecommunications
 - Security in the Supply Chain
 - Governance of Security



Governed by national and international standards and regulations on physical and digital security and lays down the guiding principles applicable to all the companies that make up the

Updated and approved by the Board of Directors of Telefónica in 2021

Develops the principles and general guidelines of the Global Security Policy, establishes rules of conduct and general responsibilities, and refers to global regulations on different subjects.

Updated in 2022 by the Secretary of the Board, it includes alignment with the global policy, review of obligations and responsibilities, and global and local security departments.



These establish the controls necessary to guarantee security in each specific domain. Based on the provisions of the global regulations, local procedures and documents are generated which contain the details of the actions to be performed to ensure compliance with the security controls. In 2022, a review of eight regulations was approved, with a range of updates.

Security activities

Monitoring and measuring (security Indicators) Audit and Control

Changes in context and new risks



ISAE 3402 or similar).

Consolidated management report 2022

- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

In certain domains, including products and services, official certifications are held such as ISO 27000, PCI-DSS, and national security system (ENS) certifications in applicable countries. The decision to obtain certification is based on legal compliance, business requirements or customer demands. In turn, depending on the service provided, we require third-party certification or reports from our suppliers (for example,

2.19.3.5. Risks and opportunities

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



For further information, see chapter 3. Risks.

2.19.3.6. Action plan and commitments

At Telefónica, we understand security as a comprehensive concept aiming to protect our **assets**, **interests and strategic objectives**, ensuring their integrity, and protecting them from potential threats that could damage their value, affect their confidentiality, reduce their effectiveness or alter their operability and availability.

Comprehensive security encompasses:

- · Physical and operational security (of people and assets)
- · Digital security
- · Business continuity
- Fraud prevention
- Any other relevant area or function aimed at corporate protection against potential damage or loss.

In turn, the concept of digital security integrates aspects related to information security and cybersecurity and is applied to the media, systems, and technologies and elements that make up the network.

Our security provisions apply to all the entities involved in the supply chain, focusing especially on companies that manage data of the Telefónica Group or its customers.

Security activities are governed by the **principles of legality**, **efficiency**, **co-responsibility**, **cooperation and coordination**.

The most recent review of the Company's Global Strategic Security Plan, approved by the Global Security Committee on 28 September 2022, pursues the implementation of the basic principles laid down in the Security Policy and identifies and prioritises the main lines of action.

> Digital security or cybersecurity

Digital security is a key element of our business. Its ultimate goal is to **ensure our resilience**, in other words, the ability to withstand and contain attacks so that our business is not affected or is affected to a degree that is tolerable. This is put into practice in processes, tools and capabilities that aim to anticipate and prevent cybersecurity risks.

The activities in this respect are coordinated by the global area with the various digital security units of the Group's companies. We hold annual meetings with the digital security teams of all Telefónica units in order to align strategies and share experiences.

We have a public mailbox for reporting weaknesses or threats and a bug-bounty program consisting of rewards for finding them.



Particular emphasis is placed on the following aspects:

Cyber-intelligence and incident management

We have tools and capabilities for the entire cycle of potential incidents:

- Anticipation, before they can impact the Company.
- Prevention, ensuring the protection of both facilities and assets, as well as customer data and identities.
- Detection and response, through a network of 17 Incident Response Centres (Cybersecurity Incident Response Teams, CSIRTs)

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

We have a **public mailbox**, available to all, so that bugs or threats that could affect Telefónica's technological infrastructure can be reported. This mailbox can be found on Telefónica's global website and on those of its operators in the Global Privacy Centre/Security section. We also have a **bug-bounty reward program**, managed by selected companies acknowledged as industry



1. Strategy and growth model

2. Non-financial Information statement Leading by example

- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

leaders, enabling us to rely on input from cybersecurity experts (ethical hackers) worldwide.

The CSIRTs work in a coordinated manner to understand and analyse the risks of potential cyber-threats, monitor serious bugs in the most critical technological assets and establish relationships with other national and international CSIRTs/Computer Emergency Response Teams (CERTs) in the public and private sectors. Cyber-exercises are performed once a year to train the CSIRTs in all the countries in handling potential incidents.

During 2022, 2 **significant security incidents** were dealt with (we consider significant incidents to be those that meet certain criteria at a global level, such as their economic, legal, service, or media impact). The 2 incidents affected customer data. One occurred in Telefónica Peru and the other in Telefónica Spain. Neither of the incidents had a sufficiently material impact to be reported to the financial market supervisory authorities.

Lessons learned from incidents help us to improve the security of both processes and technological capabilities and platforms.

We followed the transparency protocols, notifying the affected users and, where appropriate, the data protection agencies of the incidents. Incident management protocols are also followed in terms of detection, analysis and response, establishing the appropriate mitigation measures.

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

> Network security

Our approach to networks and communications is based on a good understanding of our assets and sites, as well as their characteristics and their importance for the business. The aim is for the networks to be properly planned and deployed in keeping with applicable security requirements that minimise the risk of downtimes, unauthorised access or destruction.

We also perform security controls on associated service platforms, such as video and the Internet of Things (IoT), to manage the risks associated with attacks and the exploitation of bugs and weaknesses in networks and protocols. To this end, we work with technological partners and international organisations (for example, GSMA). Examples can be found in the work done on 4G/LTE, SS7, BGP, and other critical-enabling technologies.

At Telefónica, we want to contribute to making 5G networks safe. The Company's technological developments in this area, such as the evolution of our network virtualisation platform (UNICA NEXT), network splitting, and new radio access technologies, take into account Security by Design.

> Physical and operational security

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

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

> Security by Design

Security is considered at the earliest stages in all areas of activity to ensure that it is an **integral part of the entire technology life cycle**. This approach is based on the following aspects:

- · The risk analysis and management process.
- Commitment to innovation, including the development of proprietary technologies.
- Raising employee awareness.
- The security requirements demanded of our supply chain.

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

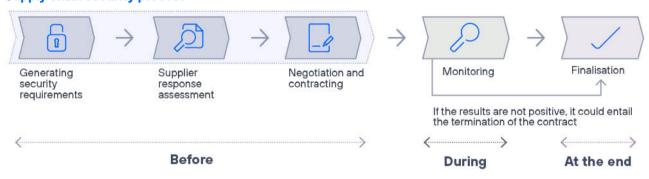


- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> Supply chain security

At Telefónica, we have security requirements for our suppliers and we identify the risks associated with the provision of a service/product. We continue to develop **3PS+**, our security process digitalisation tool in the supply chain. Its main characteristics are as follows:

Supply chain security process



- Prior to contracting, the application makes it possible
 to generate the security requirements for new
 procurement processes. It incorporates the responses
 given by suppliers, providing objective assessments
 about compliance levels and access to the mitigation
 measures proposed by the suppliers.
- During the provision of the service, it offers the
 possibility of monitoring the security requirements. To
 this end, the system generates alerts based on the start
 date of the service and the selected monitoring period.
 This allows the user to record relevant information that
 may pose a risk to Telefónica's processes.
- On completing the provision of the service, it is
 possible to control how the removal of the supplier is
 executed and to mitigate or even avoid the most
 common security risks at service termination: failure to
 block physical and logical access, failure to check
 VPNs/ports/systems used for services, etc.

All Telefónica Group employees have access to this tool.

> Business continuity and crisis management

The business continuity function integrates various activities and processes aimed at improving our resilience, and crisis management makes it possible to tackle any serious incident that affects the organisation in an effective manner.

In the event of a crisis, the priorities are:

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

The business continuity function is included in the Global Security Policy. The details are defined in the Global Business Continuity Regulation and in a range of documentation, both globally and locally, for each business unit.

The Global Crisis Management Plan, which is made up of the Global Crisis Management Project and the Global Business Continuity Project, is part of the Strategic Plan of the Global Security and Intelligence Directorate. For the execution of the crisis management plan, the processes of each of the areas are identified, detecting scenarios that could lead to their interruption; potential treatment plans are considered; the business continuity strategies to be applied are decided; and, if necessary, business continuity plans are generated with the appropriate actions to be taken.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Global Crisis Management Plan

Business continuity Business impact analysis Risk analysis Continuity strategies Continuity/Recovery Plans Disaster recovery plan Evacuation plan Zero interruption plan

Crisis management Crisis management procedure

Global Crisis Management Project

Execution of Continuity and Recovery Plans

Global Business Continuity Project

Our strategy is evolving by strengthening the following aspects:

- Strategic vision: global threats require global action.
 Having a strategic vision of business continuity enables global decisions to be taken that result in greater resilience.
- Effectiveness in crisis management: we have a proven crisis management model, common to the entire Company, both in its definitions and in the execution of its procedures.
- Coordination and collaboration: the organisational model guarantees, aligns and promotes the homogeneous development of business continuity in the various business units.
- Standardisation of measurement: this allows us to measure, without bias, various indicators that show us the degree of maturity from the business continuity point of view and the level of resilience of the Company. It also provides us with the necessary information to be able to establish medium and long-term objectives.

This is based on international standards such as ISO 22301 for business continuity management and ISO 22320 for emergency management.

Each year, several global and local exercises are conducted to check the business continuity mechanisms, simulate crisis scenarios and identify opportunities for improvement with regard to real incidents.

> Governance model

The **Global Business Continuity Committee,** the highest governance body, defines the global strategy from design, as well as the prioritisation and availability of the necessary resources.

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

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

- Strategic services.
- Strategic projects.
- · Strategic suppliers.
- · Organisational aspects.

Each business unit has its own **Local Business Continuity Office (LBCO)**, and all local offices are aligned and coordinated through the **Global Business Continuity Office (GBCO)**. The GBCO is functionally located in the Global Security and Intelligence Directorate, which is part of the Company's corporate area. It coordinates the LBCOs and transfers the various strategic decisions defined by the Global Business Continuity Committee.

> Global Business Continuity Program

Our **Global Business Continuity Program** is aligned with the standard ISO 22301 and is made up of the following phases:

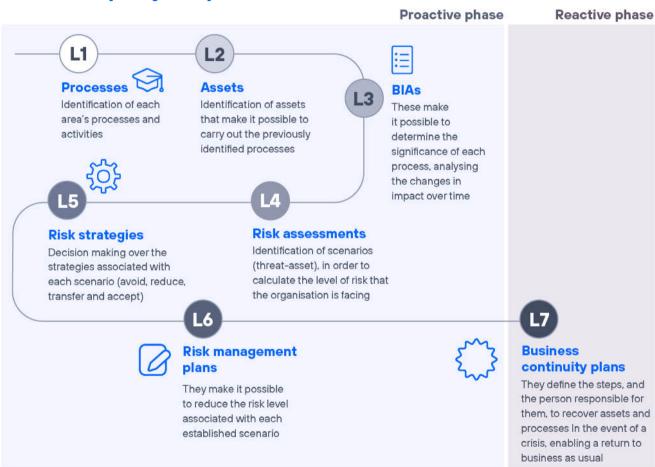
 Planning: a Statement of Work (SoW) detailing the scope of business continuity and an annual activities plan.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information
- 2. Implementation and operation: deliverables aimed at establishing and documenting the business continuity mechanisms such as a Business Impact Analysis (BIA) identifying the major processes and services, risk analysis, continuity plans, return to normality plans, etc.
- 3. Monitoring and evaluation: assessment of the effectiveness of the business continuity arrangements in place by testing them in realistic and bounded scenarios. Indicators are available to assess the performance, maturity level and implementation of the overall business continuity project.
- 4. Maintenance and improvement: encompassing lessons learned and opportunities for improvement from business continuity testing and crisis simulation, the execution of the continuous improvement process for business continuity management, training and awareness raising.

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

Business continuity management system





- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

> Business continuity maturity monitoring

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

Business continuity maturity model



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

Evolution of the degree of maturity



> Crisis management

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

The structure contains four layers.

- The first layer defines and classifies the crises, their typology and the general strategy for dealing with them.
- The second layer defines the roles, responsibilities, means and channels involved in crisis management, as well as the relationship and responsibilities between crisis committees.
- 3. The third layer groups together the procedures, plans and documentation necessary to manage crises.
- 4. The fourth layer defines, on a global basis, the architecture of warning systems, secure communication and, in general, the aspects related to digitalisation that support the activities of the different crisis committees.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Layers of Crisis Management



Crisis

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



Crisis Committee

- Chairman
- · Members and boards
- · Media and channels



Procedures

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



Architecture

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

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

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

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

Depending on the type of crisis, there are active protocols and means of alert, notification, management and coordination, which are known to all those involved in the overall Crisis Management Project.

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

The Global Crisis Management Project enables us to:

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

Finally, it defines the obligation to conduct **tests and drills** on different scenarios potentially harmful to the Company. The drills will be carried out at least once every six months, unless a crisis situation is declared in the same period. This makes it possible to:

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



- Strategy and growth model
 Non-financial Information statement _Leading by example
 - 3. Risks

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

The events discussed by the crisis committee are detailed below:

Events discussed by the crisis committee

GLOBAL - M	ONITORING CRISIS, COVID-19 – January to March 2022
Description	COVID-19
Type of crisis	Health and Safety
Impact	Monitoring of the development and level of impact of COVID-19 on the employees of the Telefónica Group at a global level, as well as the level of impact on the in-person presence of employees at Telefónica facilities and the opening levels of the Company's stores.
Actions	Monitoring of COVID-19 in each country, showing that although there was an increase in cases after Christmas, it was a lot less serious; therefore, in March it was decided not to continue regular monitoring, the situation being kept open to observe developments.
	The recommendation of wearing masks at Telefónica was upheld until September, thereby avoiding possible increases in infection levels among the workforce.
	In December, the incident was closed.

GLOBAL – UKRAINE– March to June 2022	GLORAL .	- IIKDAINE-	March to	luna 2022
--------------------------------------	----------	-------------	----------	-----------

Description	Conflict between Ukraine and Russia		
Type of crisis	Political-social		
Impact	Monitoring of the development and level of impact of the conflict on the Telefónica Group's activities at a global level and its employees, as well as the level of impact on the countries where it operates.		
Actions	The crisis committee was activated on 7 March 2022. Monitoring of the conflict, with the aim of analysing different scenarios that could affect the Telefónica Group. The various local crisis committees were involved so as to obtain information about the impact in their countries.		
	In June, the crisis committee was wound up as there were no changes in the impact, while continuing to monitor the situation.		
	In December, the incident was closed.		

PDAZII (LOCAL) March 2022

BRAZIL (LOC	CAL) March 2022
Description	Unavailability of access to VPN
Type of crisis	Technological
Impact	Affecting approximately 60% of the customer care service level, due to it being impossible for employees and collaborators working remotely to connect and perform that service. The duration of the incident was 1 hour and 15 minutes, and it had no economic impact.
Actions	The committee was activated on 8 March 2022. The VPN IP was gradually restored by the technical teams, with the supplier of the solution service providing support. As part of
	the work, the configuration and updating parameters of technical components were corrected.



- Strategy and growth model
 Non-financial Information statement _Leading by example
 - 3. Risks

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

ECUADOR (L	ECUADOR (LOCAL) June 2022		
Description	Public demonstrations		
Type of crisis	Political-social		
Impact	Services to customers were not affected, but there were financial losses due to the commercial impact and impact on sales. In some cases, customer services at offices had to be restricted.		
Actions	The crisis committee was activated on 20 June 2022. The physical security and monitoring levels at technical sites/stations were reinforced. In addition, where possible, remote working was put in place.		
	The main concerns were the impact on people's safety, the impact on the preventive and corrective maintenance services due to difficulties in accessing the facilities, and the possible shortage of fuel, as well as impact on the power supply due to vandalism. The preventive measures for security and monitoring avoided incidents affecting the health and safety of staff and critical services.		
	On 30 June 2022, the incident was closed.		
	As a result, action plans were prepared, some of which have already been completed while others are under study and/or being executed, which are still being monitored.		

CHILE (LOCAL) September 2022

as a failure at a data centre which affected several IT systems and the continuity of swere restored in the first few days, in accordance with the priority set in the swhich exceeded the recovery time objectives (RTO), leading to the activation of
s were restored in the first few days, in accordance with the priority set in the
s were restored in the first few days, in accordance with the priority set in the
s which exceeded the recovery time objectives (NTO), reduing to the activation of
tember 2022. This committee supported the technology team, which dealt with

BRAZIL (LOCAL) September 2022

•	, .
Description	Failure in authentication and integration of users
Type of crisis	Technological
Impact	Impact on the customer care service, field and stores (B2B and B2C) due to login failure for several applications. Duration of approximately 1 hour, without an economic impact.
Actions	The committee was activated on 28 September.
	The operations restored the platforms, simultaneously validating the systems involved.

BRAZIL (LOCAL) December 2022

	•
Description	Failure in the national mobile network
Type of crisis	Technological
Impact	Intermittent unavailability of fixed, mobile and TV network services at a national level, with different impact scenarios according to region due to the deconfiguration of 400 Nokia routers. Approximate duration 1 hour 15 minutes, with an approximate economic impact of €3,700.
Actions	The committee was activated on 1 December.
	The incident was addressed immediately by the operation and support teams to evaluate the causes. The back-up copy of the configuration was restored and they proceeded to complete manual activation. After executing the procedure, the teams managed to perform mass activation of the routers through the Nokia platform and service was restored.



1. Strategy and growth model

- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

PERU (LOCAL) December 2022			
Description	Political instability and public demonstrations		
Type of crisis	Political-social		
Impact	Services to customers were not impacted. However, owing to the demonstrations, there was damage to premises.		
Actions	The crisis committee was activated on 8 December 2022.		
	Periodic sessions were held, adopting security measures to protect staff and reinforce technical sites. Access to critical technical sites was restricted and, in the regions outside Lima, teleworking was put in place for staff. It coordinated actions with government authorities to ensure continuity of the services.		
	In addition, all travellers were recommended to leave the country due to the risk to their safety. Those who wished to visit the country were warned about the risk to their safety and required to undergo a consultation process to authorise their trip.		

2.19.3.7. Progress in 2022

Throughout 2022, we continued to adjust our security measures linked to **remote access and teleworking**.

We continued to promote Local Business Continuity Offices in recently-created companies of the Group, as well as the participation of the Global Business Continuity Office in cross-cutting projects at a corporate level.

The management of global and local crises, after satisfactorily activating the management process and the available resources, made it possible to maintain the service levels agreed with customers at all times and adapt the network capacity to changes in demand.

During 2022, the improvement, support for, and broadening of, the supply chain security initiative continued. We consolidated and evolved the **3PS+** tool, which makes it possible to digitalise the entire security risk management process in our purchasing.

2.19.4. Cross-cutting privacy and security issues

2.19.4.1. Internal Control

In order to address and comply with the legal provisions of the countries related to local **data protection and privacy** laws and regulations, within the 2022 Annual Plan, a total of 748 specific audit days were used to verify compliance, as well as the identification of best practices in data protection issues.

The most significant aspect for European operators, which are affected by the new data protection legislation (GDPR), was to review the implementation of the documentation in Privateca of the data processing corresponding to year 2 of the GDPR audit cycle, as well as the successful execution of the controls on the reviewed processing and, within the governance model, the implementation of the data deletion procedure. In the rest of the countries affected by local data protection laws, the most important aspects reviewed were verification of the application of security measures in the processing of personal data, verification that the integrity and quality of the information is assured, and verification

that the consent of users has been obtained for the processing of their personal data.

The Annual Plan has also promoted **auditing work** related to cybersecurity and security in networks and systems, with the aim of validating mainly the security of remote access to the infrastructure and its security configuration (bastioning), as well as the resistance of the technological perimeter to incidents due to the exploitation of vulnerabilities. Another objective, related to the infrastructure configuration, is to review the stored information to ensure that it is sufficiently secure in terms of access permissions and profiles to prevent tampering or unauthorised deletion. In 2022, a total of 5,088 specific audit days were used to verify the control environment as regards cybersecurity and the security in networks and systems.

2.19.4.2. Training and awareness-raising

We ran awareness-raising and training campaigns for employees on the subject of privacy and security, as well as for relevant third parties (sub-contractors, service providers and similar).



For further information, see chapter 2.20. Responsible supply chain management.

With regard to employee training, in 2022, 126,948 participants completed their training on privacy, data protection, security and cybersecurity. These courses amounted to a total of 119,639 training hours provided.



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

In addition, we reinforced communication and awareness-raising programs in this area through different channels and techniques to ensure that the messages reached all the levels and locations of the Company:

- Phishing campaigns applied to all the employees of the Group, to raise awareness and educate them about cybersecurity risks.
- Annual surveys to measure knowledge levels concerning security and privacy.
- Knowledge pills on security, targeting the entire workforce, containing short messages to raise awareness about specific aspects.
- Gamification techniques, which include the elements and dynamics that are typical of games and leisure, in order to foster motivation and reinforce behaviour in information security and Company asset protection practices.

2.19.4.3. Stakeholder relations

Telefónica actively participates in various international organisations and forums, most of which are multistakeholder bodies. In 2022, the following were noteworthy:

Internet Governance Forum in Spain

In 2022, we participated in the organisation of the Spanish edition of the Internet Governance Forum (IGF). This year, with the theme "Technology and people, more connected than ever", we actively contributed to the debates on such different issues as: challenges and opportunities of the metaverse, digital sovereignty and Internet fragmentation, and the contribution of Over-The-Top (OTT) services to the financing of European telecommunications infrastructures.

Council of Europe

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

Over 2022-2023, Telefónica has been participating in the Committee on Artificial Intelligence (CAI) in the work to prepare the Convention on Artificial Intelligence, which is intended to become the legal framework of reference on a global scale to tackle the challenges posed by AI with regard to human rights, democracy and the rule of law.

Cybersecurity Tech Accord

Telefónica is a founding member of this private sector initiative. It is a joint effort of more than 160 companies from around the world whose main objective is to protect internet users against the growing evolution of cyber-threats. Consumer awareness and "cyber-hygiene" are two of the tasks on which the organisation focuses its efforts. The Tech Accord is unique in its aim to accelerate

the implementation and improvement of cybersecurity globally, through the participation of businesses, governments and individuals.

The Cybersecurity Tech Accord was one of the first to support the Paris Call for Trust and Security in the Cyberspace, a forum created in 2018. In 2022, Telefónica continued our active participation in coordination between companies and governments, with the goal of enhancing security in an increasingly-connected environment. Noteworthy aspects of Telefónica's contribution include the dissemination of a Zero-Trust culture and progress as regards security in the supply chain, and in promoting participation by women in the area of cybersecurity.

Organization for Economic Co-operation and Development (OECD)

We are a member of Business at OECD and Vice-Chair of its Committee on Digital Economy Policy.

In 2022, the Ministerial meeting of the Committee on Digital Economy Policy was held, in which a statement was approved whereby the OECD includes, in its work, consideration of people's rights in the digital world, following the Spanish proposal of a charter of digital rights. Telefónica was an active participant in the preparatory workshops and made a substantial contribution to the debates relating to the digital rights of people. We also participated in other OECD programs such as the Declaration on Government Access to Personal Data Held by Private Sector Entities, one of the most significant agreements of this Ministerial meeting. We continued to participate in the Working Party on Artificial Intelligence Governance (AIGO), as well as initiatives associated with digital technologies and anticorruption measures.

International Telecommunication Union (ITU)

In 2022, we took part in the ITU Plenipotentiary Conference and its World Telecommunication Standardization Assembly, both of which are held every four years, where countries come to agreement, among other things, on which security aspects are the responsibility of telecommunications operators. Cooperation between agents, coordination and adoption of risk-based measures is essential in order to improve cybersecurity at a global level.

Centre for Information Policy Leadership (CIPL)

We are part of the CIPL organisation, an international think tank based in Washington D.C., Brussels and London that works with industry leaders, regulators and policymakers to develop global solutions and best practices in the field of privacy and responsible use of data in the new digital environment.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Global System for Mobile Communications Association (GSMA)

We participate in the GSMA (the global organisation representing mobile operators and organisations) not only in the special groups and topics of the Fraud and Security Group (FASG), but also its other working groups. José María Álvarez Pallete is currently the Chairman of the GSMA and will hold the position for two years as of 1 January 2023.

ENISA Ad-Hoc Working Groups

We participate in the working groups that ENISA, the European Union Agency for Cybersecurity, has created with different European operators and manufacturers, with the aim of defining a 5G security certification scheme which will be mandatory for all European Union countries.

2.19.4.4. Main indicators

GRI 418-1

Summary of key indicators on privacy and security

	2021	2022
Number of attendees on training courses in data protection and cybersecurity ²	67,880	126,948
Number of hours of training in data protection and cybersecurity	81,460	119,639
Number of open procedures due to data protection issues	68	49
Number of fines for data protection issues	24	18
Sum of fines (euros) due to data protection issues	436,714	318,059
Number of confirmed fines due to data protection issues as a result of a security breach or incident (physical or cybersecurity) affecting personal data of customers, employees or others	0	0
Number of queries/complaints on data protection/privacy issues in the Responsible Business Channel	9	30
Number of queries/complaints on freedom of expression issues through the Responsible Business Channel	2	0
Number of days devoted to data protection and cybersecurity by Internal Audit	5,822	5,836
Total number of relevant information security/cybersecurity incidents classified as serious	3	2
Number of high-impact information security or cybersecurity incidents/breaches that affected customers' personal data	1	2
Number of customers affected by data breaches ³	157,217	1,407,257
Percentage of clients whose information is used for secondary purposes ⁴	-	69 %



MILESTONES

- → In 2022, for the third consecutive year, we were first in the sector in Ranking Digital Rights (RDR).
- → We consolidated and evolved the 3PS+ tool, which makes it possible to digitalise the entire security risk management process in our purchasing, with the goal of reaching at least 95% by 2025.
- →We have extended our training and awareness programmes in privacy and security for our employees and relevant third parties.

².An employee may have taken more than one privacy and/or security course.

In 2022, 2 incidents affecting personal data were identified. The first incident affected 1.4 million customers' WiFi connectivity data in Spain. The incident was reported to each customer affected. Additionally, the continuous improvement in Telefónica's cyberintelligence tools enabled the detection of a publication containing basic data from 2016 pertaining to customers in Hispam which was eliminated. As the published data were of a basic nature they were deemed as being inconsequential from a regulatory standpoint. Furthermore, no potential impacts on the rights and freedoms of the persons affected have been detected. However, in the interests of transparency. Telefónica has decided to voluntarily report this incident.

However, in the interests of transparency, Telefónica has decided to voluntarily report this incident.

This percentage has been calculated based on the total number of Telefónica customers likely to receive commercial communications. This indicator has been calculated in line with the TC-TL220a.2 standard of the Sustainability Accounting Standards Board (SASB) and reflects the proportion of customers who, in accordance with legislation, do not object to the use of their information for uses such as commercial communication of the company's products and services. In particular, this indicator does not presuppose the use of customer information by third parties. Telefónica only processes personal data for secondary purposes in those cases permitted by current legislation or with the consent of customers. Telefónica also provides information on the processing of its customers' data in the Privacy Policy of each of its operations. In any case, the reported figure (69%) demonstrates that the tools we make available to our customers are useful to them and that customers are exercising their rights effectively.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example

 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.20. Responsible supply chain management

GRI 2-6 2-20

KEY POINTS



 \bigcirc We require 100% of our suppliers to operate with stringent sustainability standards similar to our own.



We engage with our key suppliers on specific topics (Scope 3 emissions, occupational health and safety standards, zero child labour, etc.) in order to join forces to achieve our targets.



We collaborate with other telcos in industry initiatives to enhance our positive impact on the sustainable transformation of the ICT supply chain as a whole.

2.20.1. Vision

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

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

2.20.2. Governance

GRI 3-3, 2-12

The sustainable management of our supply chain is part of the Responsible Business Plan, which is led by the Board of Directors. The Sustainability and Quality Committee of the Board of Directors supervises its implementation and monitors its goals.

2.20.3. Policies

GRI 3-3

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

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.20.4. Risks and opportunities

The main sustainability risks in our supply chain relate to working conditions, environmental impacts and data privacy and security. Failure to adequately address these risks may result in adverse impacts, not only for society and the planet, but also in terms of business disruption along our supply chain. In other words, sustainable supply chains allow for better identification of risks and higher avoidance of business disruptions resulting from pandemics, natural disasters and other geopolitical events.



For further information, see chapter 1.4. Materiality.

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

2.20.5. Action plan and commitments

Telefónica's purchasing strategy is mainly based on:

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

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

 Internal efficiency through the optimisation of procurement processes and systems, by symplifying process initiatives and developing support systems.

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

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



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

Aspect	Our commitments	You can find more information on how we manage this in:
Abolition of child/forced labour	To contribute to the abolition of forced labour through specific projects focused on the protection of children's human rights (e.g. on-site audits of high-risk suppliers).	2.15. Human Rights2.20.5.1. Risk management,2.20.6.1. Risk management in20222.20.6.2. Engagement in 2022
Working conditions	To promote decent working conditions among our suppliers, especially for those suppliers of labour-intensive services (contractors and subcontractors).	2.20.5.1. Risk management,2.20.6.1. Risk management in20222.20.6.2. Engagement in 2022
Occupational health and safety	To promote best practices in health and safety among our suppliers, with the common aim of achieving zero accidents.	2.20.6.1. Risk management in 2022 2.20.6.2. Engagement in 2022
Conflict minerals	To strengthen control over the use of 3TG minerals (tin, tantalum, tungsten and gold) throughout our value chain.	2.20.6.2. Engagement in 2022
Waste management	To work hand in hand with our suppliers to digitalise our waste management in order to improve traceability and seize the opportunities, presented by the circular economy.	2.3. Circular economy
CO ₂ emissions - Scope 3	To improve emissions management in our supply chain and increase engagement with our suppliers both globally and locally.	2.2. Energy and climate change 2.20.6.2. Engagement in 2022
Data privacy and security	To work with our suppliers, with a particular focus on those who have access to customer data, to ensure compliance with applicable regulations and security requirements.	2.19 . Privacy and security

In doing so, we continue to rely on a Company-wide **common procurement model**. This model is **aligned** with our **Responsible Business Principles** and is based on transparency, equal opportunities and non-discrimination, objective decision making and sustainable management of our supply chain.

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

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



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Our approach

Sustainable supply chain management



ENGAGEMENT

Every stage of our sustainable management model is complemented by training and engagement with our suppliers. This enables us to raise awareness and develop capabilities to improve the sustainability of the supply chain.

Our approach is based on two pillars:

- Risk management
- · Engagement with suppliers

We protect children's rights in the supply chain. Zero tolerance of child labour is a mandatory requirement for our suppliers.



2.20.5.1. Risk management

GRI 308-2, 407-1, 408-1, 409-1

> Step 1. Minimum standards required

We require 100% of our suppliers to conduct their business activities in accordance to ethical standards similar to ours. Thus, ensuring respect for core human rights and labour rights, as well as the protection of the environment.

Therefore, all Telefónica suppliers must accept the following upon registering and/or renewing in our Procurement platform:

- Supply Chain Sustainability Policy, where we set out the minimum criteria for responsible business that our suppliers must comply with.
- · Anti-corruption Policy (certified).

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

(+) S

SUMMARY OF OUR MINIMUM RESPONSIBLE BUSINESS CRITERIA

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

> Step 2. Identification of high-risk suppliers

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

To do so, we carry out the following process to analyse the overall sustainability risk of our individual suppliers, according to our **risk analysis** methodology:



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

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

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

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

> Step 3. Performance assessment of our high-risk suppliers

We monitor the possible risks associated with our potential high-risk suppliers identified in the initial analysis. Our buyers in different countries can view the results directly on the purchasing platform:

External assessment platform

We conduct an external 360° **assessment** of our main high-risk suppliers based on 15 **sustainability criteria** that cover ethical, social, environmental and supply chain management aspects.

Performance-based actions

Performance Sustainability	Action
ADVANCED	Collaborate with the supplier to identify possible improvements or sharing of best practices.
PARTIAL	Request a commitment from the supplier to implement an improvement plan in the coming year, with the aim of improving its level of performance.
INSUFFICIENT	 Preventive blocking of the supplier in the purchasing system. Report and agree an improvement plan with supplier.

Dow Jones Risk & Compliance Service

We cross-check our supplier database with Factiva, a database developed by Dow Jones Risk & Compliance. This comparison takes place on a regular basis from the time the supplier is registered. This tool allows us to **identify possible risks related to ethical behaviour and corruption**, thereby reinforcing processes already in place for compliance with our Anti-Corruption Policy.

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



If a supplier does not reach the required level in the external assessment platform or is unable to provide the information requested, we require their commitment to implementing improvement plans to ensure compliance with our standards. If the comparison with Dow Jones Risk & Compliance results in adverse information about the supplier, an analysis of this information is carried out to assess this adverse information and its significance in relation to the specific contract.

In extreme cases, when this is not feasible, all further business with the supplier is **suspended** until they prove they have rectified the situation and/or corresponding actions have been taken to mitigate the identified risks, as stated in the terms and conditions signed by both parties.

> Step 4. Audits of high-risk suppliers

The performance assessments are complemented by our annual audit plan to verify compliance with the critical aspects identified according to (i) type of supplier, (ii) service and product provided, and (iii) the risks of each region or country. These audits are mainly carried out through the internal Allies Programme (for service suppliers) and the sectoral Joint Alliance for CSR (JAC)¹ initiative (for product manufacturers).

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

¹ Joint Audit Cooperation has been transformed into a legal entity under the legal form of an international non-profit association under the new name "Joint Alliance for CSR" (JAC).



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.20.5.2. Engagement with suppliers

We strive to understand the importance of **material issues** for our suppliers, as well as their perception of Telefónica's performance in this regard.



For further information, see chapter 1.4. Materiality.

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

One example is the management of our third-party and collaborating companies through the **Allies Programme**. The way we engage with these companies has allowed us to foster a culture of sustainability, raising awareness among suppliers about compliance with our standards, while we jointly establish mechanisms for early detection and prevention of possible risks in our contractors and subcontractors (most of them in direct contact with our customers).

Another example of this is our participation in the **Joint Alliance for CSR (JAC) industry initiative**, together with 26 other telecommunications operators. Through this initiative, we join forces to verify, assess and develop the implementation of sustainability standards in factories of mutual suppliers, mainly in at-risk areas such as Asia, Latin America and Eastern Europe. To this end, we carry out on-site audits of direct suppliers, tier 2, 3, etcetera, implement improvement plans to rectify non-conformities and form specific working groups (climate change, human rights and circular economy) to implement best practices in our supply chains.

Targets

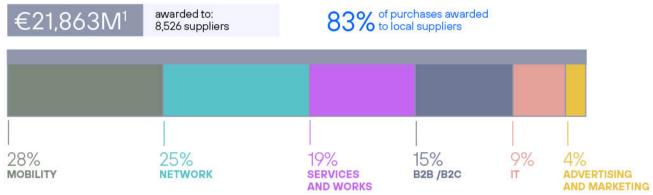
- 100% of high-risk suppliers assessed on sustainability aspects in the external assessment platform by the end of 2024.
- Promote audits of Tier 2, 3, etc. suppliers in the ICT supply chain through cooperation with direct suppliers as part of the JAC sector initiative.
- Promote the participation of SMEs in specific procurement processes in order to strengthen our positive impact on local economies.
- Improve due diligence processes carried out by our suppliers, through proactive engagement, to ensure traceability of minerals and mitigate risks of human rights violations linked to components or products they sell to us.
- Reduce CO₂ emissions in our value chain (Scope 3) by 56% by 2030 compared to 2016, and achieve net-zero emissions by 2040.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Impact of our business on society

Volume of purchases awarded %/Total



(1) Agreements negotiated in Procurement with impact in 2022.

2.20.6. Progress in 2022

GRI 3-3

As explained above, our approach is based on two complementary pillars, namely risk management and supplier engagement.

2.20.6.1. Risk management in 2022 GRI 3-3, 308-1, 403-7, 407-1, 408-1, 409-1, 414-1, 414-2

In 2022, **100% of our suppliers accepted the minimum standards** set out in our Supply Chain Sustainability Policy **(step 1)**.

Based on our **global risk analysis** of suppliers awarded contracts in 2022, we identified **768 suppliers** that provide us with products or services which were classified as **potentially high risk** from a **sustainability perspective**. In 2022, we maintained our analysis methodology in order to focus on those suppliers with a significant impact on the business as well as the Company's strategy **(step 2)**.

Of the suppliers identified, 72% have been externally assessed on sustainability aspects through an external platform, namely EcoVadis or IntegrityNext (including those that are in progress, pending analysis of the information provided).

Over the past year, taking into account the new requirements included in the **proposed EU Directive on**

Corporate Sustainability Due Diligence, we started to improve the tools we have been using to work with our suppliers on sustainability. This improvement will progressively allow us to incorporate all our suppliers into our process for external assessment of sustainability aspects. It will also enable us to select the aspects to be included in each assessment according to the potential level of risk to Telefónica identified in our overall risk analysis.

According to the information available in the procurement system at the end of this reporting period, **6 suppliers** were **blocked** in our database **due to integrity/ sanctions, sustainability risks or non-compliance**.

These were 100% of the suppliers with identified risks, either relating to integrity/sanctions or sustainability issues (social or environmental reasons), which had not yet remedied the situation or shown a commitment to implement improvement plans to ensure compliance with our standards (step 3).

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

In 2022, we conducted **18,578 administrative** or on-site audits. Given the results obtained in these audits, at the end of the year we had **879 suppliers with improvement plans** (10% of those awarded contracts) (step 4).



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

See breakdown of audits by theme in the table below.

Details of the Annual Audit Plan

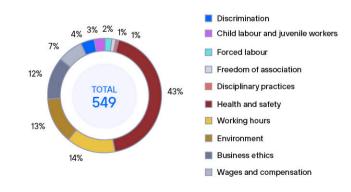
			Audited risk aspects							
Type of supplier	Region/ country	Ongoing audits and improvement plans	Ethics	Labour	Health and Safety	Supply chain management	Human rights(child /forced labour)	Conflict minerals	Environmental	Security, privacy and PbD
ALLIES PROGRAMME Labour-intensive collaborator companies.	Spain and six countries in Latin America ²	LOCAL • 8,479 administrative audits. • 9,090 on-site audits. • 268 suppliers with improvement plans.		√	√		-\			
	Germany, Spain and six countries in Latin America ³	CORPORATE • 68 on-site audits. • 66 suppliers with improvement plans.	√	√	√	√	√		√	√
JAC INITIATIVE Manufacturing centres in the ICT sector.	54% in China and the rest in 12 countries ⁴	59 on-site audits: 62% on TIER 2 or 3 suppliers. 24 suppliers with improvement plans.	√	√	√	√	√	√	√	
OTHER LOCAL AUDITS Due to risks associated with the	Brazil, Colombia, Mexico and Peru	• 135 administrative audits. • 124 suppliers with improvement plans.							-/	
product or service.	Brazil and Colombia	8 on-site audits.1 supplier with improvement plans.							V	
	Brazil, Chile, Ecuador and Germany	271 on-site audits. 106 suppliers with improvement plans.			√					
	Brazil, Colombia, Ecuador and Germany	450 on-site audits.283 suppliers with improvement plans.								√
	Chile and Peru	18 on-site audits.7 suppliers with improvement plans.		√						
								Social	Environment	
Total audits per as	-							17,985	270	
Suppliers with imp	rovement plan	is						471	215	

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

> Details of JAC audits (product manufacturers)

In total, 549 corrective action plans were carried out as a result of the 98 audits carried out by the JAC sector initiative in 2022 (59 of the audits were at Telefónica suppliers). The following graph shows the breakdown of these plans by topic:

Corrective action plans in 2022



² Argentina, Brazil, Chile, Colombia, Mexico and Venezuela.

³ Argentina, Brazil, Colombia, Ecuador, Mexico and Peru.

⁴ Brazil, Mexico, Italy, Poland, Romania, Tunisia, Nigeria, Bangladesh, Taiwan, India, Vietnam and the United States



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

Aspect	Non-compliance	Corrective action	Status at the end 2022
Health and Safety	Some emergency exits not properly functioning/installed.	Emergency exits can now be passed appropriately (e.g. doorways open outwards, that is, away from the room).	Closed
	No proper personal protective equipment used where required to control safety hazards and worker exposure.	Training provided for workers on proper use of personal protective equipment, supervision mechanism installed so that workers use it where required.	Closed
Work schedule	The working-hour management and control system is not effective.	Establish systems to record, manage and monitor working hours, including overtime, with reliable and detailed records of workers' working hours.	Closed
	Workers' overtime hours exceeded local legal requirements and their weekly working hours exceeded 60 hours.	Development of a reasonable production plan, increasing productivity using positive measures (such as bonuses), reducing overtime to no more than three hours per day and training employees on the health and safety hazards posed by excessive overtime.	Closed
Environment	No identification of opportunities/ measures to reduce greenhouse gas emissions; no setting of corresponding reduction targets.	Development of energy savings plan with concrete measures and emissions targets.	Closed
	The factory does not have a process in place to involve its suppliers in reducing greenhouse gas emissions in their operations.	Development of processes to oblige its suppliers to reduce greenhouse gas emissions in their operations.	Closed
Wages and remuneration	Workers' wages are not regularly reviewed to ensure that a living wage is paid.	Completion of regular surveys/ reviews with workers to guarantee living wages.	Closed
	Insufficient social security provided to workers.	Social security now provided to all workers.	Closed

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

We closely monitor that service providers comply with our standards, including contractors. In 2022, we incorporated Germany into our audit process, promoted to the corporate level within the Allies Programme. In this way, the audit process covered each of our main markets: Brazil, Spain and Germany, and five countries in Hispanoamerica (Argentina, Colombia, Ecuador, Mexico and Peru).

Throughout 2022, **we audited 68 labour-intensive suppliers**. As in previous years, a high level of compliance was achieved, standing at over 87% in the five areas audited (Responsible Business Principles, human resources, health and safety, environment, and security and data protection). These results reflect the good performance of our partners, thanks to the work they continue to do each year.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

GRI 204-1

our contractors to identify the current status of each of these processes and **to establish the necessary improvement plans in each case** to ensure their proper development in the day-to-day relationship between the contractor and their respective sub-contractors.

2.20.6.2. Engagement in 2022

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

> Supply chain emissions

We work on emissions management in the supply chain. Globally, we have two collaborative programmes on climate change to which we invite our most significant suppliers in terms of emissions:

- Firstly, we continued our Supplier Engagement Programme to understand the maturity level of each supplier's corporate-level climate strategies and help them set more ambitious emissions reduction targets. For this purpose, we invited the most significant suppliers in terms of emissions to the CDP Supply Chain Programme. In total, 218 suppliers participated, representing 97% of the emissions from our supply chain.
- In addition, we are working on a new Carbon Reduction Programme, together with our strategic suppliers, on the analysis and reduction of emissions at the product level.

In addition, we encouraged decarbonisation among our SMEs and invited them to join the **SME Climate Hub,** where they can sign the SME Climate Commitment (through the Hub) and have access to the tools made available to help them achieve their climate goals.

We continued to participate in initiatives such as 1.5°C Supply Chain Leaders to reduce CO_2 emissions from small and medium-sized suppliers in the SME Climate Hub and in the climate change working group of the JAC initiative.



For further information, see chapter 2.2. Energy and climate change.

If we take into account the average number of risks per issue identified in each of the countries, the **health and safety** section was the one with the highest number, with the risks concentrated around aspects of industrial hygiene and safety, verification and planning.

Regarding the **human resources** section, the most common risks were detected mainly in compliance with the required percentage of staff with disabilities and the lack of programmes for work climate measurement, guarantees and/or insurance taken out for labour claims, in addition to a lack of staff performance evaluation programmes. In **environmental** processes, the most common risks were related to the environmental management system (failure to identify and/or assess all applicable environmental requirements) and waste management. With regard to the section on **security and data protection**, the most common risks related to the lack of procedures establishing the criteria for action in the event of security breaches and the lack of employee training on data protection or information confidentiality.

Taking into account the potential social or environmental⁵ impacts of the risks identified, the most significant issues were as follows:

- The most significant social impacts are mainly related to industrial hygiene and safety, emergency control and accident assessment and control management.
- The environmental impacts are in the noise section.

> Tier 2, 3 supplier management

Our supply chain management goes beyond our direct suppliers.

As part of the **JAC initiative**, we place particular emphasis on carrying out audits of manufacturers that supply components and/or equipment to our suppliers. In 2022, **61% of the audits were conducted at Tier 2 or 3 suppliers.**

In addition, in Spain, we continue to develop our **Comprehensive Prevention and Sustainability** Project. Through this initiative, we aim to assess and recognise the performance in prevention and sustainability, with a special focus on aspects related to occupational risk prevention, of the main subcontractors that collaborate with our contractors in the deployment and maintenance of our network. In 2022, we brought 11 new sub-contractors into the project, bringing the total to 106 Tier 2 suppliers and having an impact on 2,216 employees. The results of the assessments carried out during the first phase of the project allowed us to identify the need for improvements in two processes: (i) communication of the specific prevention measures that sub-contractors' employees must comply with, and (ii) creation of a channel for communicating any incidents detected regarding occupational risk prevention. To this end, we have begun to work with

⁵ Critical non-conformities identified during audits in each area are considered significant impacts, either social or environmental.



asking its key suppliers for a

- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



Supplier Development Programme

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

The aim is to provide support to the supplier for two years in order to enhance its sustainability performance.

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



For further information, see chapter 2.15. Human rights.

> Responsible sourcing of minerals

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

1.Policy and clauses

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

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

> Labour conditions

Under the JAC initiative, we collected direct feedback from 20,634 employees at 15 supplier factories through an anonymous survey conducted on their own mobile phones. In this way, we assessed aspects related to working conditions, especially with regard to issues concerning the number of hours worked, rest periods, harassment, discrimination, treatment and relationship with their direct manager, overtime, the handling of chemical materials, etc.

Telefónica has implemented a new climate requirement within its procurement process,

decarbonisation plan aligned with SBTi.

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

> Human rights

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



- 1. Strategy and growth model
- 2. Non-financial Information statement _Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2. Identification and management of high-risk suppliers

- **1.** We identify mineral risk suppliers according to our risk analysis methodology.
- **2.** We assess performance based on the CMRTs (Conflict Minerals Reporting Templates) that we request from these suppliers.
- **3.** We engage with those suppliers whose due diligence needs to be improved.
- **4.** We verify compliance of some key suppliers through on-site audits under the JAC sector initiative.

3. Commitment initiatives

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

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

4. Complaints

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

5. Information

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

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

> Occupational Risk Prevention

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

In 2022, we maintained a series of initiatives with our suppliers depending on the situation in the different countries:

 Specific and direct communication with our suppliers, through face-to-face sessions, to address the most significant aspects to work on in order to avoid possible accidents arising from the risks inherent in each activity. For example, last October, we held a workshop with our partner companies in Spain on specific prevention measures for work at height. Furthermore in **Colombia**, we organised a **technical round table** where we presented new **instructions for the management of serious or fatal accidents** to our suppliers.

- Occupational health and safety audits specifically adapted to each country, in order to verify compliance with the procedures and protocols established for the prevention and safety of employees at the facilities (see the table "Details of the Annual Audit Plan" for a breakdown by country of the audits carried out on occupational health and safety aspects).
- Follow-up and monitoring of the corresponding indicators to analyse the trends in accident rates throughout the year.

(+)

OHS+ Project at Telefónica España

> What is it?

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

> Targets

Identify levers that lead to a reduction in the number of OHS incidents detected and the volume and severity of occupational accidents until it reaches zero accidents.

 Encourage participating companies to conduct audits of their own suppliers.

> 2022 results

- 100% of the companies once again met the monitoring target, and some even exceeded it.
- Accident frequency rate (in the workplace) of 1.27. The target set for 2023 is 0.9.

> Diversity

We see diversity as a competitive advantage, which creates business value and positively impacts our results. Therefore, in addition to promoting it internally in the Company, we also encourage it among our suppliers, as stated in our Supply Chain Sustainability Policy.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

In Spain, we provide privacy trainings to suppliers with whom we have a high number of contracts in force and that provide us with **services involving the processing of personal data.**

In **Colombia**, through an **online course** on **digital security**, we improved our partners' knowledge of information security by addressing topics such as the workstation, secure passwords, how to change your password and security in the workplace.



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

Furthermore, under our Supplier Engagement
Programme, and as part of the annual CDP Supply
Chain campaign, we trained our key suppliers on
carbon footprint management and reporting.

As part of the **SME Climate Hub initiative, we invited our SMEs to our "Small Business Saturday"** seminar, where we presented the tools that the hub makes available to SMEs **to help them achieve their climate goals**.

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

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



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

13th Telefónica Global Energy and Climate Change Workshop

An annual meeting point for leaders of the Company's energy transformation and the main collaborating companies in the field. This is a workshop that reviews and sets out the challenges for the Company in this area. Around 200 professionals from different internal areas and 30 technology partners participated in this edition. During the workshop, multiple initiatives from our different markets were broken down, focusing on reducing fuel consumption (in buildings and mobile sites), the impact of refrigerant gases (reducing leakage), optimising consumption and increasing the use of renewable energy. Changes in the global energy model were also analysed, as well as, the energy market situation, and developments in the industry relating to energy procurement. In addition, for yet another year, the

In this regard, we promote "Mujeres en Red", a project that we implement in Colombia and Peru in collaboration with our partner companies to promote the employability and training of women in technical positions in the telecommunications sector, promoting equal opportunities in roles where women are underrepresented. By the end of 2022, in both countries, more than 1,000 female technicians had been hired by our partners and over 7,000 people (both technicians and administrative staff) had received training on topics such as "Unconscious Biases", "Female Empowerment" and "New Masculinities".



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

> Training and communication

To update the Low Carbon Procurement Instruction, we conducted internal training sessions for the different countries in which we operate. Over 500 purchasers and key internal contract managers, involved in the purchase of equipment consuming energy and/or containing refrigerant gases, participated in the sessions.

In **Brazil**, we trained **internal contract managers** on how to **manage our partners** through an **online course** on our SuccessFactors platform.

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

In 2022, we delivered 11,936 in-person courses and 14,766 online courses involving over 349,001 participants from partner companies in Latin America.



These trainings were delivered in-person or online for our suppliers, addressing the specific needs in each country and the most critical issues according to the service they provide. For example, in Peru, we organised two workshops on "Regulation, Control and Good Practices in Environmental Matters", with the aim of providing a knowledge base for the staff of the collaborating companies, in which 60 people took part. They learned about the main regulatory changes in the environmental field (comprehensive solid waste management, the circular economy, WEEE management, etc.). In addition, the workshop "Our Chain's Footprint" was also held, in which 14 people took part, with the aim of raising awareness and informing Telefónica's key suppliers about the importance of measuring and reporting the carbon footprint.



1. Strategy and growth model

- 2. Non-financial Information statement Leading by example
 - 3 Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Company's climate change targets were reviewed and the importance of the work carried out by our suppliers to achieve them was made clear.



For further information, see chapter 2.2. Energy and climate change.

Workshop on human rights in Brazil
This was attended by nearly 125 people from 68
companies exposed to practices that may violate
human rights, including issues related to occupational
health and safety. The event aimed to provide a general
understanding of the importance of human rights
within the Telefónica business environment and how
they affect the Company's relationship with its
suppliers.

4th Forum on the Prevention of Occupational Risks in Spain

The event brought together Telefónica Spain, its supply chain (main contractors and subcontractors), the most prominent operators in the sector, trade unions and ADEMI, the sector's employers' association. All of them share the target of achieving zero accidents in the sector. During the forum, dedicated to the key players in prevention, the close coordination between all the actors in the telco sector was revealed, highlighting the great extent to which managers are involved in achieving the targets set and the importance of, and trust in, people as the cornerstone on which the culture of prevention is built. Another of the aspects addressed was Telefónica Spain's Comprehensive Prevention and Sustainability Plan, which is based on our Responsible Business Principles, the importance of sustainability for the progress of society, and our commitment to the prevention of occupational hazards. For the third consecutive year, an award was presented to one of the companies in our supply chain based on the results obtained in its prevention management, which this year went to the prevention services of the company Cobra Instalaciones y Servicios, S.A. Lastly, a tribute was paid to all those people who throughout the pandemic and especially at the beginning, when as a society we were largely unaware of how to proceed, did not hesitate to continue working to ensure that we remained connected.

Summary of key indicators

	Indicators	2021	2022
	Volume of purchases awarded.	23,737M	21,863M
Activity ⁶	Suppliers awarded contracts.	9,368	8,526
	% purchases awarded locally.	81%	83%
	Sustainability risk- related suppliers identified in our global analysis.	810	768
	% high-risk suppliers assessed on sustainability aspects through EcoVadis o IntegrityNext.	71%	72%
Ethics and Compliance	% suppliers assessed through Dow Jones Risk & Compliance.	100%	100%
	Suppliers blocked due to integrity/sanctions, sustainability risks or non-compliance.	9	6
	Total audits of suppliers.	17,960	18,578
	High-risk suppliers with improvement plans.	610	879

⁶ Considering that the activity of Telefónica UK Limited has not been included in the 2022 reporting scope, comparability between the two years is not guaranteed.



- 1. Strategy and growth model
- 2. Non-financial Information statement Leading by example
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



MILESTONES

- → We continued minimising sustainability risks within the procurement process, with 100% of our suppliers accepting our sustainability standards as part of their contractual obligations.
- → We improved our supplier assessment processes in order to be able to meet new requirements on supply chain due diligence.
- → In collaboration with the other telcos in the JAC initiative, we audited 98 companies in the ICT sector and surveyed 20,634 employees at 15 supplier factories in 2022, to work across different levels of our supply chains.
- → As part of our supply chain decarbonisation strategy, we required our key suppliers to commit to emission-reduction targets validated by the Science Based Targets initiative.
- → We obtained a 75% response rate in the second year of CDP Supply Chain reporting, with 100% participation of our high-priority suppliers and 82% of our mid-level priority suppliers.
- → We reduced CO2 emissions from our value chain by 32% compared to 2016, with emissions from our supply chain being the most significant of our Scope 3 emissions (64%).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

2.21. Appendix

2.21.1. Telefónica stakeholders

GRI 2-29

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

- Customers: customers of all our brands, both residential and business, together with all customerrepresentation bodies.
- Employees: own employees, active and former employees, associations and unions representing workers' interests.
- Strategic partners and suppliers: key companies for the development and provision of our services, as well as supplier companies and bodies and associations representing supply chain interests.

- Shareholders and analysts: Companies that invest in Telefónica and/or analyse its sustainable profitability.
- Government entities and regulators: local, national and international organisations.
- Opinion leaders, media and communication services: influencers, press, communication, brand and advertising agencies.
- 7. Society (including communities, NGOs, sustainability organisations, business and consultancy associations): affected local, regional and national communities, as well as special groups, non-governmental organisations (NGOs), companies, think-tanks, business schools and universities.

2.21.2. Types of involvement and relationship with our stakeholders

GRI 2-29

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



- Strategy and growth model
 Non-financial Information statement
 - 3. Risks

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

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

2.21.3. Material issues

GRI 3-2, 3-3

Responsibility towards customers	Customer relations	Ensure that all interactions with customers are based on principles of ease honesty, transparency and consistency, regardless of the communication channels offered by the Company.
	Responsible marketing and advertising	Design and implement truthful and non-aggressive communications (in other words, those that are not likely significantly to undermine freedom of choice through harassment, coercion, use of force, etc.).
	Adaptation to customer needs	Develop our product and service range tailored to customer needs and with the best value for money.
Sustainable offering and innovation	Responsibility by Design	nsure that all solutions and products are developed with sustainability criteria in mind from the design stage. These criteria include, among others, introducing eco-design measures for customer equipment; ensuring compliance with human rights principles that apply to digital services, such as protecting the right to freedom of expression; and committing to comply with ethical principles in the development of artificial intelligence (AI) technologies.
	Sustainable innovation	Encourage the development of solutions that help have a positive impact on society.
	Responsible network roll-out	Have a robust, stable, efficient, reliable and state-of-the-art network.
	Health and safety in P&S	Ensure strict compliance of products and services with health and safety regulations and recommendations. Take into consideration the possible health effects of electromagnetic fields and compliance with legal exposure limits to ensure they are safe.
Digital inclusion	Deployment of connectivity	Ensure that all people have access to broadband communications networks in all regions, both urban and rural.
	Accessibility	Ensure that our digital services are accessible so that all people can use them regardless of their abilities.
	Affordability	Work to ensure that cost is not a barrier to using new technologies, offering options and tariffs that are affordable for the entire population.
	Training in digital skills	Provide training in the knowledge and use of new digital technologies, especially aimed at closing the digital divide for specific groups (for example, the elderly).
	Safe and responsible use of technology (including protection of children)	Raise awareness of the benefits and risks associated with technology. Protect vulnerable groups, in particular children, from potential misuse of technology by putting in place the necessary controls and tools.



- 1. Strategy and growth model
 2. Non-financial Information statement
 3. Risks
 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 6. Other information

Privacy and digital rights	Responsible management of personal data	Guarantee the privacy of users through responsible management of personal data.
	Freedom of expression	Respect and protect the right to freedom of expression. Be transparent in responding to requests from competent authorities.
Employee health and safety	Employee health, safety and well-being	Offer new, more flexible work methods for employees by facilitating work- life balance (flexibility, teleworking, digital switch-off outside the office, etc.). Care about the safety, health and well-being of employees.
Network and data security	Cybersecurity	Ensure the protection of data and information systems against possible attacks.
	Operational security	Ensure the physical protection of property and assets, including network security.
	Business continuity	Design and implement the necessary policies and processes to ensure the protection of the Company's people, services, interests, obligations and business in the event of a crisis.
Work practices and health and safety	Attracting and retaining talent	Ensure that we have the skills and capabilities necessary to grow our business. Promote practices and policies throughout the employee life-cycle (recruitment, compensation, benefits, development opportunities, etc.) that help us attract and retain the best talent.
	Equitable remuneration	Ensure fair and attractive pay practices, aimed at attracting and retaining talent and meeting the Company's strategic targets.
	Freedom of association and participation by employees	Ensure freedom of association and the right to collective bargaining.
	New ways of working	Facilitate and deliver a hybrid, flexible and digital working model, which increases engagement, satisfaction and value delivery of our teams and contributes to work-life balance, while ensuring digital disconnection.
	Employee health, safety and well-being	Ensure a safe and healthy environment for employees through models for the prevention of work-related incidents and occupational diseases, as well as the active promotion of well-being and emotional health.
Diversity, equality and non- discrimination	Diversity, equality and non- discrimination	Promote diversity (of gender, abilities, age, background, sexual orientation or identity, etc.), equal opportunities and non-discrimination. Take action to prevent and eliminate workplace harassment.
Management of the supply chain	Conflict minerals	Strengthen the monitoring of suppliers to manage the risks related to purchasing products that may contain minerals from conflict zones or high-risk areas in terms of human rights.
	Ethical and fair relations with suppliers	Facilitate the economic sustainability of suppliers through fair procurement conditions.
	Sustainability in the supply chain	Establish sustainability criteria in the supply chain. Work with suppliers so they meet social and environmental standards. Encourage collaboration with suppliers who are climate aware and reductheir own emissions.



1. Strategy and growth model
2. Non-financial Information statement
3. Risks
4. Annual Corporate Governance Report
5. Annual Report on Remuneration of the Directors
6. Other information

Ethical conduct and compliance	Ethics and compliance	Preserve the integrity of the Company in relation to the Responsible Business Principles, on issues such as fraud, corruption, bribery, legal compliance, prevention of money laundering, political neutrality and any other conduct related to ethical issues.
	Competitive behaviour	Manage legal and social expectations related to monopolistic and anti- competitive practices, including issues such as price-fixing or manipulation, collusive practices and bargaining power, among others.
	Governance and accountability	Establish good governance practices aimed at adequate financial and sustainability accountability. Be transparent and truthful with information.
	Culture	Incorporate the Company's values into all aspects of the organisation. Guarantee ethical, environmentally-friendly and responsible conduct towards employees, customers and society in general.
	Fiscal transparency	Act with honesty, respect for the law and transparency in the management of fiscal affairs.
Climate change and energy management	Greenhouse gas emissions	Calculate, report, reduce and offset/neutralise greenhouse gas emissions to contribute to the fight against climate change. Include climate change adaptation measures in the Company's management.
	Energy management: efficiency and renewables	Improve energy efficiency and switch to renewable energy sources, adapting the Company's operations to the changes in climate that are already being experienced.
Contribution to the decarbonisation of the economy	Products and services aimed at decarbonisation	Help our customers to increase their energy efficiency and sustainability by reducing their carbon footprint using our products and services (efficient network, connectivity solutions, Eco Smart services, etc.).
Other environmental aspects	Biodiversity	Minimise the impact on wild species and/or their natural habitat resulting from land use, earthworks, etc., especially in protected natural areas, through environmental impact assessments.
	Air (environmental and noise pollution)	Properly manage and maintain sources of emissions, noise and vibrations to comply with legally established limits.
	Water	Introduce measures to reduce water consumption. Manage sanitary wastewater and its discharge in compliance with applicable legislation.
Circular economy	Waste management (including electrical and electronic waste)	Encourage the management and treatment of waste, including electrical and electronic equipment, ensuring traceability and legal compliance. Maximise recycling (and sale) of waste resulting from network transformation (copper cable, scrap equipment).
	Reuse of equipment and materials	Collect, refurbish and reuse customer household equipment such as routers, set-top boxes, as well as telecommunications network equipment



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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

GRI 2-2, 2-4, 2-6

> The origin of non-financial information

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

Economic and financial information

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

Customers

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

Employees

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

As part of the improvement processes, in 2022 the management systems of the local and global areas were standardized. As a result, improvements in the integrity and quality of information are incorporated.

In addition, it should be noted that the 2021 employee figures have been recalculated due to the joint venture between Telefónica UK and Virgin Media UK that took place in June 2021. Therefore, the "United Kingdom" data for 2021 have been incorporated into the "Others" segment in this report.

Environment and climate change

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

Suppliers

Supplier information comes from the procurement system used by the procurement areas to award contracts to suppliers. The information is consolidated without applying any criteria as a factor of proportionality. It is important to highlight the difference between the procurement data in the Consolidated Financial Statements (in accordance with the accrual method and Telefónica Group's accounting scope of consolidation) and the purchase award criterion used in different sections of this report, which refers to all purchases approved in the period, regardless of how they are accounted for and accrued as an expense.

> Corporate scope

A list of the companies comprising the Telefónica Group, their names, main corporate purpose, country, share capital, percentage of effective ownership by the Group, and the company or companies through which the Group's shareholding is obtained, can be found in Appendix I to the 2022 Consolidated Financial Statements (Scope of Consolidation).

A reporting scope for non-financial information was developed in the 2021 financial year and during the 2022 financial year the process to update the reporting scope was developed and enhanced.

The non-financial reporting scope is based on the financial scope included in the SAP BPC tool, which provides the highest level of corporate detail. In addition, it reflects the non-financial indicators grouped into different categories of sustainability information, which are:

- · Climate change
- · Circular economy
- Net Promoter Score (NPS)
- · Human capital
- · Bribery and corruption
- Fiscal
- Human rights
- · Anti-corruption training
- · Training in Responsible Business Principles
- Reputation
- Impact
- Security
- Privacy
- · Suppliers
- · Competitive behaviour and open internet
- Shareholders
- · European taxonomy for sustainable activities

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



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

identified to estimate the corporate scope corresponding to each of them¹.

The non-financial reporting scope is updated three times a year, in coordination with the Financial Consolidation Area and the Global Areas, which manage non-financial/ sustainability indicators, and reflects corporate changes mainly relating to new companies, divested companies and structural changes.

> Other information

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

Due to its strategic importance for the Company, the Report contains several specific indicators corresponding to VMED O2 UK (Virgin Media O2), the joint venture created in the United Kingdom between Telefónica UK and Virgin Media UK. This entity began operating on 1 June 2021. The included indicators have been independently verified under limited assurance by KPMG, the entity's external auditor.

2.21.5. Principles for the preparation of the Non-Financial Information Statement (NFIS)

GRI 2-14

This Non-Financial Information Statement (NFIS) forms part of Telefónica's 2022 Management Report and includes the progress made at the Company during the year in economic, social and environmental matters across its value chain, together with its strategic, development and market positioning, so that readers can better understand the sustainability of our business model and its materiality, its capacity to generate value in terms of capital and the interaction with stakeholders.

As an integral part of Telefónica's 2022 Consolidated Management Report, the statement has been evaluated and approved by the Board of Directors.

Accuracy

Telefónica reports non-financial information in accordance with applicable regulations and the foremost internationally recognised benchmark standards. In this regard, the main rules and standards are as follows:

a. Law 11/2018 of 28 December, which amends the Commercial Code; the revised text of the Corporations Law approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on the Auditing of Accounts in terms of non-financial information and diversity.



See Law 11/2018 Compliance Table in section 2.21.9. of this chapter

 b. The Global Reporting Initiative (GRI) Standards, together with the recommendations of the International Integrated Reporting Council (IIRC).



See Law 11/2018 Compliance Table in section 2.21.9. of this chapter

c. The SASB (Sustainability Accounting Standards Board) standard as applied to the telecommunication services sector, in accordance with the Sustainable Industry Classification System ® (SICS®) TC-TL.



See SASB Compliance Table in section 2.21.10. of this chapter

d. The recommendations of the Task Force on Climaterelated Financial Disclosures (TCFD) on environmental reporting.



See TCFD Compliance Table in section 2.21.8. of this chapter

e. The AA1000AS Standard: in addition, the NFIS has been reviewed by PwC according to the principles defined by the AA1000AS Standard, values that seek to "ensure the quality of the organisation's Sustainability Report and of the processes, systems and competencies applied as the basis for its execution by the entire organisation".

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

- a. The United Nations Universal Declaration of Human Rights.
- b. The United Nations Sustainable Development Goals (SDGs) (see chapter 2.8).
- c. The International Covenant on Civil and Political Rights.
- d. The International Covenant on Economic, Social and Cultural Rights.

¹ For the category "European Taxonomy for Sustainable Activities", the specific criterion is described in section 1.8.2 Scope of the report.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

e. The Convention on the Rights of the Child.

- f. The Convention on the Rights of Persons with Disabilities.
- g. The Conventions of the International Labour Organization.
- h. The Basel Convention (hazardous waste).
- i. International ICNIRP guidelines.
- j. The Montreal Protocol.

Balance

The information presented is reported without bias and is a fair representation of the organisation's impacts.

Clarity

Telefónica presents its information in an accessible and understandable way, attempting to provide it in a form that is clear for users with basic knowledge of the organisation.

Comparability

The comparability of the information provided is facilitated by using, for example, internationally accepted units, conversion factors, protocols and procedures. Information is also provided on previous years and the statement details the modification of calculation and measurement methodologies, where applicable.

Completeness

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

Sustainability context

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

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

Regularity

Telefónica provides all its stakeholders with reliable, material, concise and comparable information on its performance, its business model, its value levers and its strategic lines for the coming years. This information is provided at scheduled intervals, so that our various stakeholders can incorporate it into their decision making.

Verifiability

Telefónica subjects its Non Financial Information Statement to independent verification, under limited assurance, following criteria set by GRI standards. Besides, certain non financial indicators are verified under reasonable assurance (see chapter 2.22). In both cases, verifications have been carried out by PwC, with the exception of the indicators related to energy consumption and greenhouse gases emissions, that were reviewed by other independent verifiers, in compliance with ISO14064-3 rule (reports of the different verifiers are attached at the end of this annex). Besides, the Internal Audit department performs specific reviews on some processes and indicators..



Strategy and growth model Non-financial Information statement

- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

2.21.6. UN Global Compact Commitment **GRI 3-3**

Through its Chairman, Telefónica has been a signatory to the United Nations Global Compact (UNGC) since 2002. The UNGC is a voluntary framework for companies to

align their operations and strategies with the 10 principles on human rights, labour, the environment and anticorruption.

		Principles	Chapter of the report
Human rights	Principle 1.	Businesses should support and respect the protection of internationally-proclaimed human rights.	2.5. Human capital 2.13. Sustainable Innovation 2.15. Human Rights 2.20. Responsible supply chain management
	Principle 2.	Businesses should make sure they are not complicit in human rights abuses.	2.15. Human Rights 2.20. Responsible supply chain management
Labour standards	Principle 3.	Businesses should uphold the freedom of association and effective recognition of the right to collective bargaining.	2.5. Human capital 2.15. Human Rights 2.20. Responsible supply chain management
	Principle 4.	Businesses should support the elimination of all forms of forced and compulsory labour.	2.15. Human Rights 2.20. Responsible supply chain management
	Principle 5.	Businesses should support the effective abolition of child labour.	2.15. Human Rights 2.20. Responsible supply chain management
	Principle 6.	Businesses should support the elimination of discrimination in respect of employment and occupation.	2.5. Human capital 2.20. Responsible supply chain management
Environment	Principle 7.	Businesses adopt a precautionary approach in favour of the environment.	2.1. Responsibility with the environment 2.2. Energy and climate change 2.3. Circular economy 2.4. Digital solutions for the green transition 2.12. Responsibility in our products and services 2.13. Sustainable Innovation 2.20. Responsible supply chain management
	Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility.	2.2. Energy and climate change 2.3. Circular economy 2.4. Digital solutions for the green transition 2.12. Responsibility in our products and services 2.13. Sustainable Innovation 2.20. Responsible supply chain management
	Principle 9.	Businesses must encourage the development and dissemination of environmentally friendly technologies.	2.4. Digital solutions for the green transition 2.12. Responsibility in our products and services 2.13. Sustainable Innovation
Anti-corruption	Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery.	2.17. Ethics and compliance 2.20. Responsible supply chain management



- 1. Strategy and growth model
- 2. Non-financial Information statement
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.21.7. Collaboration with other associations

GRI 2-28

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

1t.org, a global organisation, part of the World Economic Forum, which aims to mobilise, connect and empower the global reforestation community to conserve, restore and grow one trillion trees by 2030.

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

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

Aequales, a network of organisations in Latin America committed to gender equality and diversity.

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

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

Spanish Association of the Digital Economy (Adigital), the business organisation that promotes the digitalisation of the Spanish economy. Made up of a network of over 500 companies from key sectors, it promotes the development of the digital economy through the representation and defence of our associates' interests (Policy), the dissemination, research and creation of synergies (Labs), and the generation of

Yo No Renuncio Association promotes the creation of a network of companies involved in implementing equality and work-life balance measures.

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

trust in the digital environment (Trust).

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

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

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

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

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

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

CEOE, an institution representing Spanish entrepreneurs.

ClosinGap: this group seeks to be a driver of social and economic transformation which helps facilitate the personal and professional development of women and guarantees equal opportunities.

European Commission (EC), the institution that embodies the executive branch of the EU's power.

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

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

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

Coalizão Empresarial pela Equidade Racial e de Gênero, an initiative that aims to promote commitments to racial equality and zero tolerance of any discriminatory attitude based on race or gender, in both public policies and in the business world.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

State Confederation of the Deaf (CNSE), an initiative that defends the interests of hearing-impaired people and their families.

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

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

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

EIT Health is ideally positioned at the meeting point between business, research and education to bring to the market real and innovative health solutions that improve the health of citizens.

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

ETNO, association of Europe's leading telecommunications operators.

ETSI, European Telecommunications Standards Institute.

Spanish State Federation of Lesbians, Gays, Trans and Bisexuals (FELGTB), which defends and promotes human rights and equal opportunities for LGBT+ people.

Leading Brands Forum is the organisation that brings together Spain's leading brands with the aim of promoting the strategic importance of brands, innovation and design at all levels, boosting the internationalisation of companies as a key lever for improving the competitiveness of the Spanish economy. In this way, it contributes to promoting the image of Spain and its companies as a whole by joining forces between Spain's leading brands and public administrations.

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

LGBTI+ Business Forum, an initiative promoting the integration of LGBT+ people into society and the workplace.

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

Knowledge and Development Foundation, an entity that seeks to address a series of specific needs of Spanish universities by analysing their current situation and potential in the areas in which they make an effective contribution. This includes the training of students, the enhancement of their research activities and open, flexible and quality institutional proposals for the creation and transfer of knowledge.

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

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

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

Good Job Foundation: a Spanish, nationwide, not-forprofit organisation aimed at the employment and social integration of people at risk of social exclusion.

Ibero-American Business Foundation, an entity that works to facilitate the integration of the countries of the Ibero-American Community through operational proposals. It promotes the internationalisation of multi-Ibero-American companies by putting forward proposals which help to overcome the barriers they encounter in their sphere of action, proposing initiatives to provide content for a realistic and desirable agenda of policy recommendations in the Ibero-American sphere and



1. Strategy and growth model

2. Non-financial Information statement

- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors

members, executives and politicians.

6. Other information

encouraging the creation of a regulatory framework that facilitates investment and trade for Ibero-American companies.

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

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

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

The Princess of Asturias Foundation is a private non-profit institution, whose aims are to contribute to the exaltation and promotion of all scientific, cultural and humanistic values that are universal heritage and to consolidate the existing links between the Principality of Asturias and the title traditionally held by the heirs to the Crown of Spain.

The aim of the **Princess of Girona Foundation** is to support young people in their professional development, from education to access to the labour market, through training and support and by creating points of reference for young people.

Randstad Foundation: its mission is to achieve equal employment opportunities for people with disabilities.

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

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

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

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

IBGC - Brazilian Institute of Corporate Governance, the leading voice in corporate governance in Brazil and one of the main institutions in the world to advocate high standards of corporate integrity, addressing entrepreneurs, business leaders, investors, board

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

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

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

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

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

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

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

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

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



- 1. Strategy and growth model
- 2. Non-financial Information statement
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

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

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

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

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

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

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

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

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

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

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

Business Network for LGBTI Diversity and Inclusion (REDI), the network of companies and professionals committed to fostering an inclusive and respectful environment in organisations in Spain, where talent is valued regardless of identity, gender expression and sexual orientation.

Responsible Minerals Initiative (RMI), an initiative founded by companies from various sectors to address the challenges related to conflict minerals in the supply chain.

Stonewall, the UK's leading LGBT+ rights and welfare organisation, helps civil society and business to promote inclusive behaviour.

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

The Valuable 500, an organisation that brings together 500 companies committed, through their CEOs, to promoting the inclusion of people with disabilities on the global agenda.

UNESCO (Global Education Coalition), a partnership to ensure continuity of learning worldwide. This multisectoral coalition brings together 175 institutional partners from the UN family, civil society, academia and the private sector working around three central themes: connectivity, teachers and gender equality. The Coalition employs a mission-driven approach to achieve large-scale targets and as a way to implement initiatives: Global Skills Academy, Global Teacher Campus, and Global Learning House.

Women for Women, an organisation that promotes women's development and leadership, and a greater presence in management positions to strengthen organisations.

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

2. Non-financial Information statement

- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

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

GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.		
Recommendations	References	
a) Describe the board's oversight of climate-related risks and opportunities.	2.2.3. Governance (Energy and climate change)2.16. Governance and culture of sustainability3.1. Risk management framework4.4. The organisational structure of the administrative bodiesCDP Climate responses 2022: C1.1	
b) Describe management's role in assessing and managing climate-related risks and opportunities.	2.2.3. Governance (Energy and climate change) 2.16. Governance and culture of sustainability 3.1. Risk management framework 4.4. The organisational structure of the administrative bodies CDP Climate responses 2022: C12, C12a	

STRATEGY

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

Recommendations	References
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2.2.5. Risks and opportunities (Energy and climate change) 2.20. Responsible supply chain management 3.1. Risk management framework 3.2.2. Main risks from an ESG perspective 3.3. Risk Factors. Operational Risks. CDP Climate responses 2022: C2.1a, C2.3, C2.3a, C2.4, C2.4a.
b) Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy, and financial planning.	1.1.1. Background: political polarisation, uncertain economic scenario and increased ESG regulation 1.7. Sustainable finance 1.8. European taxonomy for sustainable activities 2.1.4. Risks and opportunities (Responsibility with the environment) 2.2.5. Risks and opportunities (Energy and climate change) 2.4. Digital solutions for the green transition Consolidated Annual Accounts 2022: d) Environmental and climate change matters. CDP Climate responses 2022: C2.3a, C2.4a, C3.1, C3.2a, C3.3, C3.4, C3.5
c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	2.2.5. Risks and opportunities (Energy and climate change) 2.2.6. Action plan and commitments (Energy and climate change) 2.3.5. Action plan and commitments (Circular economy) 2.4. Digital solutions for the green transition CDP Climate responses 2022: C3.2, C3.2a, C3.2b

RISK MANAGEMENT

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

Recommendations	References
a) Describe your organization's processes for identifying and assessing climate-related risks.	2.2.5. Risks and opportunities (Energy and climate change) 3.1. Risk management framework 3.2. Risk map 3.2.2. Main risks from an ESG perspective 3.3. Risk Factors. Operational Risks. CDP Climate responses 2022: C2.1, C2.2, C2.2a
b) Describe the organization's processes for managing climate-related risks.	2.2.5. Risks and opportunities (Energy and climate change) 3.1. Risk management framework 3.2. Risk map 3.2.2. Main risks from an ESG perspective 3.3. Risk Factors. Operational Risks. Consolidated Annual Accounts 2022: d) Environmental and climate change matters. CDP Climate responses 2022: C2.1, C2.2
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	2.2.5. Risks and opportunities (Energy and climate change) 2.16.3. Culture aligned with ethical and sustainable management 3.1. Risk management framework 3.2. Risk map 3.2.2. Main risks from an ESG perspective 5.1. Annual Report on Remuneration CDP Climate responses 2022: C2.1, C2.2



1. Strategy and growth model 2. Non-financial Information statement

- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

METRICS & TARGETS

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

Recommendations	References
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2.2.6. Action plan and commitments (Energy and climate change) 2.2.7. Progress in 2022 (Energy and climate change) 2.3.5. Action plan and commitments (Circular economy) 2.3.6 Progress in 2022 (Circular economy) 2.4. Digital solutions for the green transition 2.16.3. Culture aligned with ethical and sustainable management 5.1. Annual Report on Remuneration CDP Climate responses 2022: C4.2, C4.2a, C4.2b, C9.1
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2.2.6. Action plan and commitments (Energy and climate change) 2.2.7. Progress in 2022 (Energy and climate change) CDP Climate responses 2022: C6.1, C6.2, C6.3, C6.5, C6.7, C6.10
c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	2.2.6. Action plan and commitments (Energy and climate change) 2.2.7. Progress in 2022 (Energy and climate change) 2.3.5. Action plan and commitments (Circular economy) 2.3.6 Progress in 2022 (Circular economy) 2.4. Digital solutions for the green transition CDP Climate responses 2022: C4.1, C4.1a, C4.2, C4.2a, C4.2b, C4.2c

2. Non-financial Information statement

- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

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

Telefónica, S.A. has prepared the report in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022.

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
Business model	Description of the business model, environment, organization and structure.	2-1	Organisational details.	Direct answer: Telefónica S.A. 4.2. Structure of the Property	
		2-6	Activities, value chain and other business relationships.	1.3. Business model 1.6. Organisation 1.9. Main indicators and footprint 1.10. Business overview	
	Markets in which it operates.	2-1	Organisational details.	Direct answer: Headquarters in Madrid, Spain. 1.9. Main indicators and footprint	
	Objectives and strategies	2-22	Statement on sustainable development strategy.	1.2. Mission 1.5. Strategy	
	Main factors and trends which could affect its future evolution.	3-3	Management approach of each area.	1.1. Context	
Policies and their results	A description of the policies which the Group applies with regard to those issues, which will include: 1.) the due diligence procedures applied for the	3-3	Management approach of each area.	1.1. Context 1.4.2. Double materiality determination process 1.6. Organisation 3.1. Risk management framework	
	identification, evaluation, prevention and mitigation of risks and significant impacts. 2.) the verification and control procedures, including which measures have been adopted.				



Strategy and growth model
 2. Non-financial Information statement
 3. Risks

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
Main non- financial risks	The main risks related to these issues regarding the Group's activities, including, where relevant and proportionate, its commercial relations, products or services which could have negative effects in those areas, and	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	2.20.5.1. Risk management 2.20.6.1. Risk management in 2022 Direct answer: During the financial year 2022, there were no transactions in which employees/suppliers' rights of freedom of association	
	* how the Group manages those risks,				
	* explaining the procedures used to detect them and evaluate them in accordance with the national, European and	400.1		0.00.54.5.1	
	international reference frameworks for each issue.	408-1	Operations and suppliers at significant risk for	2.20.5.1. Risk management 2.20.6.1. Risk management in 2022	
	* It must include information about the impacts which have been		incidents of child labour.	Direct answer: There were	
	identified, giving a breakdown of them, in particular the main risks in the short, medium and long term.	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	no operations with a significant risk of child or forced labour during the financial year 2022.	
Environmental	Global environment				
issues	1.) Detailed information about the current and foreseeable effects of the Company's activities on the environment and, where applicable, health and safety, the environmental evaluation or certification procedures; 2.) The resources dedicated to the prevention of environmental risks; 3.) The application of the precautionary principle, the quantity of provisions and guarantees for environmental risks (e.g. arising from environmental liability legislation).	3-3	Management approach of each area.	2.1. Responsibility with the environment 2.1.3. Policies and management systems 2.2. Energy and climate change 2.3. Circular economy	
		2-23	Policy commitments.	2.1. Responsibility with the environment 2.2. Energy and climate change 2.3. Circular economy	
		308-1	New suppliers that have passed evaluation and selection filters according to environmental criteria.	2.20.6.1. Risk management in 2022	
		308-2	Negative environmental impacts in the supply chain and actions taken.	2.3.5. Action plan and commitments 2.20.5.1. Risk management If we focus our risk analysis exclusively on the assessment of specific environmental impacts, given the product or service they supply, we have 878 suppliers with potential or actual significant negative environmental impacts.	

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

Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
Pollution		<u>. </u>		
1.) Measures to prevent, reduce or repair carbon emissions which seriously affect the environment.	3-3	Management approach to emissions/ biodiversity.	2.1. Responsibility with the environment 2.1.6. Responsible network and biodiversity 2.2. Energy and climate change 2.3. Circular economy	
	305-5	Reduction of GHG emissions.	2.2.6. Action plan and commitments	
form of specific atmospheric pollution of an activity,	305-6	Emissions of ozone- depleting substances (ODS).	Direct answer: 20.8 tonnes.	
including noise and light pollution.	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions.		Reason for omission Not applicable. This indicator is not considered to be relevant as the emissions of this typ of pollutants are not a significant part of our activity.
Circular economy, preven	ntion and n	nanagement of was	te	
Circular economy.	3-3	Management approach to effluents and waste.	2.1. Responsibility with the environment 2.1.6. Responsible network and biodiversity 2.2. Energy and climate change 2.3. Circular economy	
	301-2	Recycled input materials used.	2.3.6. Progress in 2022 > Internal eco-efficiency	Reason for omission Not applicable. This indicator is not considered applicable as the products and services offered by Telefónica are not directly related to
				manufacturing products.



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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
	Waste: prevention measures, recycling, re-use, other forms of recovery and disposal of waste.	3-3	Management approach to effluents and waste.	2.1. Responsibility with the environment 2.1.6. Responsible network and biodiversity 2.2. Energy and climate change 2.3. Circular economy	
	-	306-1	Waste generation and significant waste-related impacts.	2.3.6. Progress in 2022 > Internal eco-efficiency	
		306-2	Management of significant wasterelated impacts.	2.3.6. Progress in 2022 > Internal eco-efficiency	
		306-3	Waste generated.	2.1.7. Progress in 2022: Main indicators 2.3.6. Progress in 2022 > Internal eco-efficiency	
		306-4	Waste diverted from disposal.	2.1.7. Progress in 2022: Main indicators 2.3.6. Progress in 2022 > Internal eco-efficiency	
		306-5	Waste directed to disposal.	2.3.6. Progress in 2022 > Internal eco-efficiency	
	Actions to combat food waste.	306-1	Waste generation and significant waste-related impacts.		Reason for omission: Not applicable. This indicator is not considered applicable as the products and services offered by Telefónica are not directly related to food consumption.
	Sustainable use of resou	rces			
	The consumption of water and the supply of water in accordance with local limitations.	303-5	Water consumption.	2.1.7. Progress in 2022: Main indicators 2.3.6. Progress in 2022 > Internal eco-efficiency	
	Consumption of raw materials and the measures adopted to improve efficiency in their use.	3-3	Approach to materials management.	2.1. Responsibility with the environment 2.1.3. Policies and management systems 2.2. Energy and climate change 2.3. Circular economy	



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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		301-1	Materials used by weight or volume.		Reason for omission: Not applicable. As it is a service company, this indicator does not apply. The consumption of materials does not occur for the direct generation of products but for the Company's telecommunications network to provide the services required by our customers. The processes to reduce consumption of materials and re- use them make our network more efficient from this perspective, too. In our administrative activities, the material most used is paper. At Telefónica, efficient use is encouraged through digitalisation of processes. Chapter 2.3. Circular economy includes more details on Telefónica's management of paper consumption.
		301-2	Recycled input materials used.	2.3.6. Progress in 2022 > Internal eco-efficiency	
		301-3	Reclaimed products and their packaging materials.	2.3.6. Progress in 2022 > Internal eco-efficiency	
	Direct and indirect consumption, of energy, measures taken to improve energy efficiency and the use of renewable energies.	3-3	Approach to energy management.	2.1. Responsibility with the environment 2.1.3. Policies and management systems 2.2. Energy and climate change 2.3. Circular economy	
		302-1	Energy consumption within the organisation.	2.2.7. Progress in 2022 Direct answer: energy consumption reported includes both that used at Telefónica facilities and at external facilities, such as those of other operators or telecommunications tower companies. Energy consumption in own facilities 17,644,187 GJ (2021 data: 17,812,443 GJ).	

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

reas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		302-2	Energy consumption within the organisation.	2.2.7. Progress in 2022 Direct answer: energy consumption reported includes both that used at Telefónica facilities and at external facilities, such as those of other operators or telecommunications tower companies. Energy consumption in third-party installations: 4,338,332 GJ (2021 data: 4,171,409 GJ).	
		302-3	Energy intensity.	2.1.7. Progress in 2022: Main indicators 2.2.7. Progress in 2022 Direct answer: 175 GJ/PB (2021 data: 194 GJ/PB. Energy intensity has been reduced by 10%).	
		302-4	Reduction in energy consumption.	2.2.7. Progress in 2022	
		302-5	Reductions in energy requirements of products and services.		Reason for omission Not applicable. This indicator is not considered applicable as the products and services offered by Telefónica are not directly related to occustomers' energy consumption. The nature of the products and services offered by Telefónica is mostly related to mobile and fixed connectivity, as well as digital and data services.
	Climate Change				
	The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	3-3	Approach to emissions management.	2.1. Responsibility with the environment 2.1.3. Policies and management systems 2.2. Energy and climate change 2.3. Circular economy	
		305-1	Direct GHG emissions (Scope 1).	2.1.7. Progress in 2022: Main indicators 2.2.7. Progress in 2022 Direct answer: Biogenic emissions: 13,873 tCO ₂ eq (2021 data: 9,020 tCO ₂ eq)	
		305-2	Indirect GHG emissions from the generation of energy (Scope 2).	2.1.7. Progress in 2022: Main indicators 2.2.7. Progress in 2022	

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		305-3	Other indirect GHG emissions (Scope 3).	2.1.7. Progress in 2022: Main indicators 2.2.7. Progress in 2022	
		305-4	GHG emissions intensity.	2.1.7. Progress in 2022: Main indicators 2.2.7. Progress in 2022	
		305-5	Reduction of GHG emissions.	2.2.6. Action plan and commitments 2.2.7. Progress in 2022	
	The measures adopted in order to adapt to the consequences of climate change.	3-3	Approach to emissions management.	2.1. Responsibility with the environment 2.1.3. Policies and management systems 2.2. Energy and climate change 2.3. Circular economy	
		201-2	Financial implications and other risks and opportunities due to climate change.	2.2.5. Risks and opportunities	
	The reduction targets voluntarily established in the medium and long term to reduce GHG emissions and the measures implemented to that end.	3-3	Approach to emissions management.	2.1. Responsibility with the environment 2.1.3. Policies and management systems 2.2. Energy and climate change 2.3. Circular economy	
		305-5	Reduction of GHG emissions.	2.2.6. Action plan and commitments	
	Protection of biodiversit	у			
	Measures taken to preserve or restore biodiversity.	3-3	Management focus. Biodiversity.	2.1. Responsibility with the environment 2.1.6. Responsible network and biodiversity 2.2. Energy and climate change 2.3. Circular economy	
	Impacts caused by the activities or operations in protected areas.	3-3	Management focus. Biodiversity.	2.1. Responsibility with the environment 2.1.6. Responsible network and biodiversity	_
Social and	Employment				
personnel- related matters	Total number and distribution of employees by sex, age, country and professional classification.	2-7	Employees.	2.5.7. Staffing indicators	
		2-8	Workers who are not employees.		Reason for omission: Information unavailable/ incomplete. The information included in the Report includes only internal employees hired by Telefónica.
		202-2	Proportion of senior management hired from the local community.	Direct answer: 69% of the CEOs and chairmen in the countries are local.	

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		405-1	Diversity of governance bodies and employees.	2.7.6. Staffing and diversity indicators	
	Total number and distribution of types of employment contracts.	2-7	Employees.	2.5.7. Staffing indicators	_
	Annual average of permanent contracts, temporary contracts and part-time contracts by sex, age and professional classification.	2-7	Employees.	2.5.7. Staffing indicators	_
		405-1	Diversity of governance bodies and employees.	2.5.7. Staffing indicators	
	Number of dismissals by sex, age, country and professional classification.	401-1	New hires and employee turnover.	2.6.4. Turnover indicators	
	Average remunerations and their evolution, with a breakdown by sex, age and professional classification or equal value.	405-2	Ratio of basic salary and remuneration of women to men.	2.7.7 Remuneration indicators	
	Wage gap, the remuneration of jobs of equal value or the average	3-3	Employment + diversity and equality of opportunities.	2.7. Diversity and Inclusion	
	of the Company.	405-2	Ratio of basic salary and remuneration of women to men.	2.7.7 Remuneration indicators	
	The average remuneration of directors and managers, including variable	3-3	Approach to diversity and equality management.	2.7.7 Remuneration indicators	
	remuneration, allowances, compensation, payments into long-term savings plans and any other payment, with a breakdown by sexes.	2-19	Remuneration policies.	2.6.2. Action plan and commitments 5.1.1. Principles of the Remuneration Policy 5.1.2. Our remuneration practices 5.1.6. Application of the Remuneration Policy in 2022	
		2-20	Process to determine remuneration.	2.6.2. Action plan and commitments 5.1.7. The process for determining the Remuneration Policy and the Company's bodies	
				involved	

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		2-21	Annual total compensation ratio.	2.7.7 Remuneration indicators	Reason for omission: Confidentiality constraints. Information included in the Report covers the annual compensation ration for the Company's CEO. Information relating to the different countries is not published on specific confidentiality grounds. Information regarding the percentage increase is not published for specific confidentiality reasons.
		202-1	Ratios of standard entry-level wage by gender compared to local minimum wage.	2.7.7 Remuneration indicators	
		201-3	Defined benefit plan obligations and other retirement plans.	2.6.2. Action plan and commitments	
		401-2	Benefits provided to full-time employees that are not provided to temporary or part- time employees.		Reason for omission: Not applicable. Part-time or temporary percentage of employees is insufficient to be considered material for Telefónica.
	Implementation of end of employment policies.	3-3	Approach to employment management.	2.8.3. Action plan and commitments	
	Employees with disabilities.	405-1	Diversity of governance bodies and employees.	2.7.6. Staffing and diversity indicators	
	Organisation of work				
	Organisation of work time.	3-3	Approach to employment management.	2.8.3. Action plan and commitments	
	Number of hours of absenteeism.	3-3	Approach to employment management (quantitative data on absenteeism).	2.9.6. Main occupational health and safety at work indicators	
	Measures aimed at facilitating the life-work balance and promoting the co-responsibility of both parents.	3-3	Approach to employment management.	2.8.3. Action plan and commitments	
		401-3	Parental leave.	2.6.4. Turnover indicators	

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

as	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
	Health and safety				
	Health and safety conditions at work.	403-1	Occupational health and safety management system.	2.9.4. Action plan and commitments	
		403-2	Hazard identification, risk assessment and incident investigation.	2.9.4. Action plan and commitments 2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel	
		403-3	Occupational health services.	2.9.4. Action plan and commitments	
		403-5	Training of workers in occupational health and safety.	2.9.4. Action plan and commitments	
		403-6	Promotion of workers' health.	2.9.4. Action plan and commitments	
		403-7	Prevention and mitigation of impacts on the health and safety of workers directly linked to business relation- ships.	2.9.4. Action plan and commitments	
		403-8	Coverage of the occupational health and safety management system.	2.9.5. Progress in 2022 2.9.6. Main occupational health and safety at work indicators	Reason for omission Information unavailable/ incomplete. The information included in the Report includes only internal employees hired by Telefónica.
	Occupational accidents, in particular their frequency and severity. Occupational diseases, broken down by sex.	403-9	Injuries due to occupational accidents.	2.9.6. Main occupational health and safety at work indicators	Reason for omission Information unavailable/ incomplete. The information included in the Report includes only internal employees hired by Telefónica.
		403-10	Occupational diseases and illnesses.	2.9.6. Main occupational health and safety at work indicators Direct answer: No particular incidence or risk of diseases related to the Company's activity is apparent.	Reason for omission Information unavailable/incomplete. The information included in the Report includes only internal employees hired by Telefónica.

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
	Labour relations				
	Organisation of dialogue in labour matters, including procedures to inform and consult employees and negotiate with them.	3-3	Approach to worker- Company relations management.	2.8.3. Action plan and commitments	
		402-1	Minimum notice periods regarding operational changes.	2.8.3. Action plan and commitments	
		407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	2.20.5.1. Risk management 2.20.6.1. Risk management in 2022 Direct answer: During the financial year 2022, there were no transactions in which employees/suppliers' rights of freedom of association were violated.	_
	Percentage of employees covered by collective agreements, by country.	2-30	Collective bargaining agreements.	2.8.4. Progress in 2022	
	The outcome of collective agreements, particularly in the sphere of occupational health and safety.	403-4	Worker participation, consultation and communication on occupational health and safety.	2.8.3. Action plan and commitments 2.9.4. Action plan and commitments	
	Mechanisms and procedures that the company has in place to promote the involvement of workers in the management of the company, in terms of information, consultation and participation.	3-3	Approach to worker- Company relations management.	2.5. Human capital	
	Training				
	The policies implemented in the field of training.	3-3	Management approach to training and education.	2.6. Attraction, retention and talent development 2.16.4. Progress	
		404-2	Programmes for upgrading employee skills and transition assistance programmes.	2.6.2. Action plan and commitments 2.6.3. Progress in 2022 2.8.3. Action plan and commitments	
		404-3	Percentage of employees receiving regular performance and career development reviews.	2.6.2. Action plan and commitments 2.6.3. Progress in 2022	
	Total number of hours of training by professional categories.	404-1	Average hours of training per year per employee.	2.6.3. Progress in 2022 2.6.6. Training indicators	

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

Areas	Contents	Reporting criteria	g GRI description	Reference/ location	GRI omissions
	Equality				
	Measures adopted to promote equality of treatment of and opportunities for men and women.	3-3	Diversity Management and Equal Opportunities + Non-discrimination approach.	2.7. Diversity and Inclusion	
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures adopted to promote employment, protocols against sexual harassment and gender-related harassment, the integration and universal accessibility of people with disabilities.	3-3	Diversity Management and Equal Opportunities + Non-discrimination approach.	2.7. Diversity and Inclusion	
	Policy against all types of discrimination and, where appropriate, the management of diversity.	3-3	Diversity Management and Equal Opportunities + Non-discrimination approach.	2.7. Diversity and Inclusion	
	Universal accessibility of people with disabilities.	3-3	Diversity Management and Equal Opportunities + Non-discrimination approach.	2.7. Diversity and Inclusion	
Human rights	Application of due diligence measures with regard to human rights. Prevention of the risks of violation of human rights and, where applicable, measures to mitigate, manage and repair possible abuses committed.	3-3	Management approach to the evaluation of human rights + freedom of association and collective bargaining + child labour + forced or compulsory labour.	2.20.6.1. Risk management in 2022 2.15.6. Action plan and commitments	
		2-23	Policy commitments.	2.15.4. Policies 2.15.6. Action plan and commitments	
		2-26	Mechanisms for seeking advice and raising concerns.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel 2.17.5.6. Internal control	
	Reports of cases of violation of human rights.	406-1	Incidents of discrimination and corrective actions taken.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel	
	Promotion and fulfilment of the provisions of the fundamental conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining.	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	2.20.5.1. Risk management 2.20.6.1. Risk management in 2022 Direct answer: During the financial year 2022, there were no transactions in which employees/suppliers' rights of freedom of association were violated.	

Strategy and growth model
 2. Non-financial Information statement
 3. Risks

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
	The elimination of discrimination in employment and occupation.	3-3	approach to nondiscrimination.	2.6.2. Action plan and commitments 2.7.4. Action plan and commitments 2.8.3. Action plan and commitments 2.15.6. Action plan and commitments 2.16.1. Governance 2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel 2.21.3. Material issues 2.21.6. UN Global Compact Commitment	
		406-1	Incidents of discrimination and corrective actions taken.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel	
	The elimination of forced or compulsory labour.	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	commitments	
	The effective abolition of child labour.	408-1	Operations and suppliers at significant risk for incidents of child labour.	Direct answer: There are no operations with a significant risk of child or forced labour during the financial year 2022.	
Corruption and bribery	Measures adopted to prevent corruption and bribery.	2-23	Policy commitments.	2.16.1. Governance 2.17.5. Action plan and commitments	
		2-26	Mechanisms for seeking advice and raising concerns.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel	
		205-1	Operations assessed for risks related to corruption.	2.17.5.1. Compliance	
		205-2	Communication and training about anti-corruption policies and procedures.	2.17.5.1. Compliance 2.17.5.2. Training	
		205-3	Confirmed incidents of corruption and actions taken.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel	
	Measures to combat money laundering.	205-2	Communication and training about anti-corruption policies and procedures.	2.17.5.1. Compliance	



Strategy and growth model
 2. Non-financial Information statement
 3. Risks

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
	Contributions to non-profit foundations and entities.	3-3	Approach to anti- corruption management.	Direct answer: Telefónica's contribution to Fundación Telefónica in 2022 totaled 71.1 million euros. 70.2 million of this amount was in cash. Contributions in kind include the transfer of the right of temporary and free usufruct in favour of Fundación Telefónica over the Espacio Escuela 42 and the donation in kind of various assets and rights for a value of 0.9 million euros. Cash payments of 55.7 million euros and in-kind contributions of 0.9 million euros were made during the financial year 2021. Atam is an association	
		415-1	Political	created by Telefónica whose objective is to support people with disabilities. It is a mutually supportive and collaborative organisation. It is a non-profit entity that was incorporated more than 40 years ago and has been declared a Public Utility. It is organised as a Social Protection System for people suffering from disabilities and/or dependency. Telefónica's contribution was 6.80 million euros in 2022. In 2021, it was 7.04 million euros.	
Society	Compony's committee and	-	contributions.	2.17.5.4. Political neutrality	
ooolety	The impact of the Company's activity on local employment and development.	3-3	Approach to local communities + indirect economic impacts management.	2.14. Contribution and impact on communities	
		201-1	Direct economic value generated and distributed.	2.14.5. Direct economic value generated and distributed	
		203-1	Infrastructure investments and services supported.	2.14.4.2. Helping society thrive Direct answer: Total Telefónica Group investment in infrastructure and applied services: 5,819 million euros (2021 figure: 7,267 million euros).	

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

•	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		203-2	Significant indirect economic impacts.	2.14.4.2. Helping society thrive	
	The impact of the Company's activity on the local populations and the territory.	203-1	Infrastructure investments and services supported.	2.14.4.2. Helping society thrive Direct answer: Total Telefónica Group investment in infrastructure and applied services: 5,819 million euros (2021 figure: 7,267 million euros).	
		203-2	Significant indirect economic impacts.	2.14.4.2. Helping society thrive	
	The relations maintained with local community players and the forms of dialogue with them.	2-29	Approach to stakeholder engagement.	1.4.5. Stakeholder engagement 2.21.1. Telefónica stakeholders 2.21.2. Types of involvement and relationship with our stakeholders	
	Association or sponsorship actions.	2-28	Membership associations.	2.21.7. Collaboration with other associations	
	Subcontracting and sup	pliers			
	* The inclusion in the procurement policy of social, gender equality and environmental issues. * Consideration in relations with suppliers and subcontractors of their social and environmental responsibility.	2-6	Activities, value chain and other business relationships.	2.20. Responsible supply chain management 2.21.4. Structure and scope of consolidation of non-financial information	
		308-1	New suppliers that have passed evaluation and selection filters according to environmental criteria.	2.20.6.1. Risk management in 2022	
		204-1	Proportion of spending on local suppliers.	2.14.4.2. Helping society thrive 2.20.6.2. Engagement in 2022	
		414-1	New suppliers screened using social criteria.	2.20.6.1. Risk management in 2022	
	Supervision and audit systems and their results.	414-1	New suppliers screened using social criteria.	2.20.6.1. Risk management in 2022	

Strategy and growth model
 2. Non-financial Information statement
 3. Risks

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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		414-2	Negative social impacts in the supply chain and actions taken.	2.20.6.1. Risk management in 2022 If we focus our risk analysis exclusively on the assessment of specific social impacts, given the product or service they supply, we have 744 suppliers with potential or actual significant negative social impacts.	
	Customers				
	Measures for the health and safety of consumers.	416-1	Assessment of the health and safety impacts of product and service categories.	2.12.5. Health and safety in our products	
	Complaint systems, complaints received and their resolution.	416-2	Incidents of non- compliance concerning the health and safety impacts of products and services.	2.12.5. Health and safety in our products Direct answer: During the financial year, no non-compliance was detected in relation to our quality assessments and certification of equipment and devices in any of the regions in which we operate.	
		418-1	Substantiated claims related to breaches of customer privacy and loss of customer data.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel 2.19.4.4. Main indicators Direct answer: in 2022, there were 30 consultations/complaints on data protection/privacy issues in the Responsible Business Channel (2021 data: 9).	
	Tax information				
	Profit obtained country by country. Taxes on profits paid.	207-1	Fiscal approach.	2.18.1. Vision 2.18.2. Governance 2.18.3. Policies	
		207-2	Fiscal governance, control and risk management.	2.18.2. Governance 2.18.4 Risks and opportunities 2.18.5. Action plan and commitments 2.18.6. Progress in 2022	
		207-3	Stakeholder engagement and management of tax concerns.	2.18.5. Action plan and commitments	



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

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		207-4	Country-by-country reporting.	2.18.6. Progress in 2022	
	Public subsidies received.	201-4	Financial assistance received from government.	2.18.6. Progress in 2022 Direct answer: Total operating subsidies received by Telefónica in 2022 amounted to 16 million euros (13 million euros in 2021).	
				Total financial assistance from export credit agencies amounted to €420,810. The Group has not used any tax deductions in the last corporate income tax return filed in Spain (due to a negative taxable income).	
Other significant disclosures	Anticompetitive behaviour	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	2.17.5.1. Compliance	
	European taxonomy for sustainable activities.	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and related Delegated Regulations	-	1.8. European taxonomy for sustainable activities	
	Other general disclosures.	1	Foundation.	2.21.9. Compliance table of Spanish Law 11/2018 of 28 December - GRI Standards	
		2-2	Entities included in the organisation's sustainability reporting.	2.21.4. Structure and scope of consolidation of non-financial information	
		2-3	Reporting period, frequency and contact point.	Direct response: year 2022, annual frequency, Telefónica Global Sustainability Management.	
		2-4	Restatements of information.	2.21.4. Structure and scope of consolidation of non-financial information Direct answer: Any changes in methodology or calculation that may have taken place are specified at the foot of the corresponding table throughout this report.	
		2-5	External assurance.	Direct answer: External verification performed by PricewaterhouseCoopers Auditores, S.L.	



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

A reas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		2-9	Governance structure and composition.	2.16.1. Governance 4.1. Main aspects of Corporate Governance in 2022 and prospects for 2023 4.4. The organisational structure of the administrative bodies	
		2-10	Nomination and selection of the highest governance body.	4.1. Main aspects of Corporate Governance in 2022 and prospects for 2023	
		2-11	Chair of the highest governance body.	Direct answer: José María Alvarez-Pallete 4.4. The organisational structure of the administrative bodies	
		2-12	Role of the highest governance body in overseeing the management of impacts.	2.2.3. Governance 2.14.3. Impact assessment: frameworks and methodologies 2.15.3. Governance 2.16.1. Governance 2.17.2. Governance 2.20.2. Governance 3.1. Risk management framework	
		2-13	Delegation of responsibility for managing impacts.	Direct answer: each of the areas manages the impacts under its competence. The most significant impacts are followed up by the Due Diligence Office 4.4. The organisational structure of the administrative bodies	
		2-14	Role of the highest governance body in sustainability reporting.	2.16.1. Governance 2.21.5. Principles for the preparation of the Non- Financial Information Statement (NFIS)	
		2-15	Conflicts of interest.	4.5.2. Conflicts of Interest	
		2-16	Communication of critical concerns.	2.17.5.3. Complaint and remedy mechanisms: Concern and Whistleblowing Channel Direct answer: The highest governance bodies are informed on an annual basis.	
		2-17	Collective knowledge of the highest governance body.	4.1. Main aspects of Corporate Governance in 2022 and prospects for 2023 4.4. The organisational structure of the administrative bodies	
		2-18	Evaluation of the performance of the highest governance body.	4.4. The organisational structure of the administrative bodies	
		2-24	Embedding policy commitments.	2.15. Human Rights 2.16. Governance and culture of sustainability	



2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Areas	Contents	Reporting criteria	GRI description	Reference/ location	GRI omissions
		2-25	Processes to remediate negative impacts.	2.15. Human Rights 2.17. Ethics and compliance	
		2-27	Compliance with laws and regulations.	Detailed information on significant sanctions for these concepts that are in progress in the courts of law and the arbitration bodies, on the various countries in which Telefónica Group is present, can be found, where appropriate, in Note 29, section a) (Other information, Litigation and arbitration) of the Consolidated Annual Accounts of Telefónica, S.A. for the year 2022.	
		3-1	Process to determine material topics.	1.4.2. Double materiality determination process	
		3-2	List of material topics.	1.4.4. The materiality matrix in detail	
				2.21.3. Material issues	

Regarding the references to the information in chapters 1 and 4, only the content required by the applicable non-financial information regulations and the related GRI Standards has been verified.

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

The GRI Standards used in this Report correspond to the 2016 version, with the exception of the following: GRI 1: Fundamentals (2021), 2: General Contents (2021), 3: Material Issues (2021), 207: Taxation (2019), 303: Water and Effluents (2018), 403: Occupational Health and Safety (2018) and, 306: Waste (2020).

Strategy and growth model Non-financial Information statement

- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

2.21.10. SASB compliance table

Table 1. Sustainability disclosure and accounting metrics

Subject	SASB Code	Metrics	Telefónica's response/comments
Environmental	TC-	Total energy consumed (GJ) (electricity + fuels).	21,982,519
footprint of operations(1)	TL-130a.1	Percentage of grid electricity in total energy consumption.	95%
		Percentage of renewable energy in total energy consumption.	75%
Data privacy	TC- TL-220a.1	Description of policies and practices related to behavioural advertising and customer privacy.	See chapter 2.15.2. Privacy (2.15.2.1. Governance, 2.15.2.2. Policies, 2.15.2.3. Risks and opportunities, 2.15.2.4. Strategy and commitments).
	TC- TL-220a.2	Number of customers whose information is used for secondary purposes.	69%
	TC- TL-220a.3	Total amount of monetary losses due to legal proceedings in customer privacy matters (€).	318,059
	TC- TL-220a.4	Number of requests for customer information from law enforcement agencies.	3,761,918
		Number of customers whose information was requested.	4,003,851
		Percentage resulting in disclosure.	94 %
Data security	TC-	Number of data breaches.	2
	TL-230a.1	Percentage involving personally identifiable information(2).	3.5%
		Number of customers affected(2).	1,407,257
	TC- TL-230a.2	Description of the approach to identifying and addressing data security risks, including the use of third-party cybersecurity standards.	See chapter 2.15.3. Security (2.15.3.1. Governance, 2.15.2.2. Policies, 2.15.2.3. Risks and opportunities, 2.15.2.4. Strategy and commitments).
Product end-of- life management	TC- TL-440a.1	Materials recovered through collection programmes, percentage of materials recovered that were:	12,751
		Total recovered (tonnes)	
		• Re-used (%)	44%
		Recycled (%)	56%
		Deposited in landfills (%)	0.2%
Competitive behaviour and the open Internet	TC- TL-520a.1	Total amount of monetary losses due to legal proceedings related to anti-competitive behaviour regulations.	67,000,000
·	TC- TL-520a.2	FIXED NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of own and commercially-associated content.	-FTTH600: 615,925Mbps -FTTH1000: 911,302Mbps -There is no differential assessment between associated and non-associated content
		MOBILE NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of own and commercially-associated content.	-4G: 45,93Mbps -There is no differential assessment between associated and non-associated content
		FIXED NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of non-associated content.	- FTTH 600: 615,925 Mbps - FTTH 1000: 911,302 Mbps -There is no differential assessment between associated and non-associated content
		MOBILE NETWORK: Actual average sustained download speed in Megabits per second (Mbps) of non-associated content.	-4G: 45,93Mbps -There is no differential assessment between associated and non-associated content
	TC- TL-520a.3	Description of the risks and opportunities associated with net neutrality, paid peering, zero rating and related practices.	Telefónica has defined its policy in the Digital Pact (https://www.telefonica.com/en/web/ public-policy/telefonica-digital-deal).
		lancara can	



Strategy and growth model 2. Non-financial Information statement

3. Risks

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

Management of systemic risks arising from technological outages	TC- TL-550a.1	FIXED NETWORK: Average system outage frequency.	2
	(1)	MOBILE NETWORK: Average system outage frequency.	25
		FIXED NETWORK: Average duration of outage for customer.	3
		MOBILE NETWORK: Average duration of outage for customer.	0
	TC- TL-550a.2	Discussion of systems to provide unimpeded service during outages.	See chapter 2.12.3. Network quality and availability

Table 2. Activity metrics

SASB Code	Metrics	Telefónica's response/comments
TC- TL-000.A	Total number of mobile accesses (million).	292
TC- TL-000.B	Total number of fixed accesses (million).	28
TC- TL-000.C	Number of fixed broadband connections (million).	26
TC- TL-000.D	Network traffic in petabytes.	125,790

Notes:

(1) Data for Telefónica Spain.



2. Non-financial Information statement

- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

2.21.11. GSMA ESG Metrics For Mobile (Industry Reporting Framework) compliance table



Торіс	Sub-Topic	KPI Name	GSMA Code	GSMA Code	Telefónica's response/comments
Environment	Emissions	Science-based targets	GSMA- ENV-01	Disclose whether you have set, or committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement to limit global warming to well below 2 C above pre industrial levels and pursue efforts to limit warming to 1.5 C and to achieve net zero emissions before 2050. (yes/no)	Yes
		Scope 1, 2 and 3 Emissions	GSMA- ENV-02	Absolute Scope 1 and 2 emissions (tonnes CO2e)	353,346
				Absolute Scope 1 and 2 emissions (tonnes CO2e) per 1PB data	3
				Percentage change in absolute Scope 1 and 2 emissions since last reporting period ²	Telefónica reports its evolution relative to the base year 2015: -80%
				Absolute Scope 3 emissions (tonnes CO2e)	15
				Absolute Scope 3 emissions (tonnes CO2e) per 1PB data	0
				Percentage change in absolute Scope 3 emissions since last reporting period ³	Telefónica reports its evolution relative to the base year 2016:: -7%
	En a rev	Energy	GSMA-	Total energy consumed (MWh)	6,106,255
	Energy	Consumption	ENV-03	Total energy consumed (MWh) per 1PB of data. ⁴	49
				Total Network energy consumed (MWh)	5,824,828
				Total Network energy consumed (MWh) per 1PB of data	46
				Percentage grid renewable	75 %
				Percentage grid non renewable	25 %
				Percentage off grid renewable	It is not representative for Telefonica's activity.
				Percentage off grid non renewable	It is not representative for Telefonica's activity.

The evolution compared to the previous period is -34%

The evolution compared to the previous period is -7%

 $^{^{\}rm 4}$ Telefónica reports its evolution relative to the base year 2015: -87%



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

Торіс	Sub-Topic	KPI Name	GSMA Code	GSMA Code	Telefónica's response/comments				
Environment Waste Reduction		Materials Repaired or Reused	GSMA- ENV-04	Percentage of Network equipment repaired or reused, by units.	Percentage of reused network equipment in tons (GRI 306). Telefónica uses as denominator the total of network equipment managed as waste and not the total deployed equipment: 39%				
				Percentage of Network equipment repaired or reused, by purchase price.	Telefónica does not report waste indicators calculated by purchase price, as this variable may be influenced by various factors (inflation, asset depreciation, etc.).				
								Percentage of Handset and CPE repaired or reused, by units.	Percentage of reused Handsets and CPE in tons (GRI 306). Telefónica use as denominator the total of devices managed as waste and not the total deployed devices: 56%
				Percentage of Handset and CPE repaired or reused, by purchase price.	Telefónica does not report waste indicators calculated by purchase price, as this variable may be influenced by various factors (inflation, asset depreciation, etc.).				
		Waste Generated	GSMA- ENV-05	Total waste generated (tonnes) per 1PB of data	Telefónica reports the total waste generated in tons (GRI 306): 58,463				
				Network waste (tonnes) per 1PB of data	Telefónica reports Network waste in tons (GRI 306): 9,234				
				Handsets and other Customer premises equipment (CPE) waste (tonnes) per 1PB of data	Telefónica reports Handsets and CPE in tons (GRI 306): 3,498				
				All other waste (tonnes) per 1PB of data	Telefónica reports All other waste in tons (GRI 306): 45,732				



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

Topic	Sub-Topic	KPI Name	GSMA Code	GSMA Code	Telefónica's response/comments
Environment	Waste Reduction	Materials Recycled	GSMA- ENV-06	Percentage of Network waste (from 1.5b) recycled (units)	Percentage of recycled network equipment in tons (GRI 306). Telefónica uses as denominator the total of network equipment managed as waste and not the total deployed equipment: 61%
				Percentage of purchase price of recycled Network waste	Telefónica does not report waste indicators calculated by purchase price, as this variable may be influenced by various factors (inflation, asset depreciation, etc.).
				Percentage of Handsets and CPE waste (from 1.5c) recycled (units)	Percentage of Handsets and CPE recycled in tons (GRI 306). Telefónica uses as denominator the total of devices managed as waste and not the total deployed devices: 44%
				Percentage of purchase price of recycled Handsets and CPE waste	Telefónica does not report waste indicators calculated by purchase price, as this variable may be influenced by various factors (inflation, asset depreciation, etc.).
				Percentage of all other waste (from 1.5d) recycled (units)	Telefónica reports Percentage of all other waste in tons: 97%
				Percentage of purchase price of all other recycled waste	Telefónica does not report waste indicators calculated by purchase price, as this variable may be influenced by various factors (inflation, asset depreciation, etc.).



Strategy and growth model Non-financial Information statement

3. Risks

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

Торіс	Sub-Topic	KPI Name	GSMA Code	GSMA Code	Telefónica's response/comments
Digital Inclusion	Network Coverage	Population Covered by Mobile Network	GSMA- INC-01	Percentage of population covered by operator's mobile network.Breakdown by: 3G, 4G, 5G	4G: 90.2%
	Affordability	Device and Subscription Affordability	GSMA- INC-02	Cost of the most affordable data- enabled phone, as percentage of monthly GDP per capita	It is not possible to report this indicator due to services with convergent tariffs.
				Average cost of 1GB of data, as percentage of monthly GDP per capita	It is not possible to report this indicator due to services with convergent tariffs.
	Digital Skills	Digital Skills Programmes	GSMA- INC-03	Number of people (excluding employees) that have completed a digital skills training programme, divided by total subscribers	1,305,715 ⁵

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



2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Topic	Sub-Topic	KPI Name	GSMA Code	GSMA Code	Telefónica's response/comments
Digital Integrity	Data Protection	Customer Data Incidents	GSMA- INT-01	Number of data breaches, per million subscribers	Total number of digital security breaches or incidents classified as serious: 2 ⁶
				Percentage of data breaches involving personally identifiable information (PII)	100 %
				Number of customers affected, per million subscribers	3,673 ⁷
				Number of regulatory actions for data protection violations (e.g. marketing related complaints, data breaches, etc), per million subscribers	0
	Digital Rights	Digital Rights Policy	GSMA- INT-02	Is there a policy specifically covering Digital rights protection and transparency, Privacy, Freedom of expression, Government mandates to shut down or restrict access, and/or Government requests for data? (yes/no)	Yes
	Online Safety	Online Safety Measures	GSMA- INT-03	Do you have controls or programmes in place to improve online safety for children and other vulnerable groups? (yes/no)	Yes
Supply Chain	Sustainable Supply Chain	Sustainable Procurement	GSMA- SUP-01	Do you have a Sustainable Procurement Policy in place? (yes/no)	Yes
	Policy	Policy		If yes, how many of the following elements does it cover?	
				Organizational governance: decision making processes and structures	Yes
				Human rights	Yes
				Labour practices	Yes
				Environment	Yes
				Fair operating practices	Yes
				Consumer issues	Yes
				Community involvement and development	Yes
		Supplier Assessments	GSMA- SUP-02	Percentage of suppliers screened against the Sustainable Procurement Policy using company defined and documented assessment procedure, within the previous two years	100 ⁸
				Percentage of suppliers assessed against the Policy through site visits, within the previous 2 years	72 ⁹

Are the ones which have a high impact for the Group company concerned and meet one of the following criteria:

⁻ Estimated direct economic impact of more than €500,000.

⁻ Significant traditional and social media coverage, assessed by the local cybersecurity team.

⁻ Impact on the continuity of a main service (mobile or fixed telephony, internet, etc.), affecting more than 10% of users for at least one hour.

⁻ Affecting more than 25% of systems.

⁻ Relating to leakage of customer or employee data, provided that more than 5% of customers or employees have been affected. They may also be considered as having a high impact when, without reaching the threshold, they pose a high risk to the rights and freedoms of natural persons.

⁻ Other (as justified by the Chief Security Officer).
7 Number of customers affected by data breaches divided by total accesses of Telefónica x 1,000,000

Percentage of suppliers that accepted the sustainability standards. Annual data...

Percentage of high-risk suppliers who underwent an external sustainability assessment. Annual data...

Strategy and growth model Non-financial Information statement

- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

2.21.12. Principal Adverse Sustainability Impacts indicators

Adverse Sustainability Indicator		Metric	2022
Mandatory climate a	and other environment-rela	ted indicators	
		Scope 1 GHG Emissions	131,809 tCO2e
	1. GHG Emissions	Scope 2 GHG Emissions (market-based)	221,537 tCO2e
		Scope 3 GHG Emissions	1,930,051 tCO2e
		Total GHG Emissions	2.283.397 tCO2e
	2. Carbon Footprint	Carbon footprint	2.283.397 tCO2e
	3. GHG intensity	GHG Intensity (scope 1 + 2+3) (per revenues)	0.00005 tCO2e/M€
Green-house gas emissions	4. Exposure to companies active in the fossil fuel sector	Investment in companies active in the fossil fuel sector	N/A
	5. Share of non- renewable energy consumption and production	Proportion of consumption and production of non-renewable energy in comparison with renewable energy sources (proportion with respect to the total number of Energy sources)	18%
	6. Energy consumption intensity per high impact climate sector	Energy consumption in MWh per million EUR of revenue	0.00015 MWh/M€
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Headquarters or operations sites located in or near sensitive areas in terms of biodiversity	2%
Water	8. Emissions to water	Tons of emissions to water generated	N/A. Water use is mostly sanitary and to a lesser extent, losses associated with air conditioning. Therefore, there are no pollutant emissions into the water beyond the sanitary discharges associated with the staff.
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste generated	0.05



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

Adverse Sustainability Indicator		Metric	2022
Mandatory social and	employee, respect for hu	man rights, anti-corruption and ant	i-bribery matters indicators
	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Our Global Human Rights Policy is guided by the UNGP for business and human rights, the OECD for MNE and many other international human rights agreements. This policy establishes our due diligence against forced labour, slavery and child labour.
Social and employee matters	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	UNGC and OECD compliance policy	Our Global Human Rights Policy is guided by the UNGP for business and human rights, the OECD for MNE and many other international human rights agreements. This policy establishes our due diligence against forced labour, slavery and child labour.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap	16.8%
	13. Board gender diversity	Ratio between the number of women on the Board of Directors and the total number of members	33.3%
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Ratio of investments in companies related to the manufacture or sale of controversial weapons	N/A
Additional climate and	other environment-relat	ed indicators	
	Emissions of inorganic pollutants	Equivalent tons of inorganic pollutants	N/A. Telefónica's activities do not produce significant polluting emissions (NOX, SOX, particles).
Enterton	2. Emissions of air pollutants	Equivalent tons of air pollutants	N/A. Telefónica's activities do not produce significant polluting emissions (NOX, SOX, particles).
Emissions	3. Emissions of ozone- depleting substances	Ozone-depleting substances	20.84 t
	4. Investments in companies without carbon emission reduction initiatives	Carbon emission reduction initiatives	N/A
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Breakdown of energy consumption by type of non-renewable sources of energy	Telefónica reports this information in CDP questionnaire, section C8.2a.



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

Adverse Sustainability Indicator		Metric	2022	
	6. Water usage and recycling	Average amount of water consumed	3,194 ML	
	7. Investments in companies without water management policies	Water management policies	Telefónica has a <u>Global Environmental</u> <u>Policy</u> that includes a commitment to water, and applies to all the companies in the Telefónica Group, regardless of location or business activity.	
	8. Exposure to areas of high water stress	Operation sites located in areas of high water stress without a water management policy	Telefónica has a <u>Global Environmental</u> <u>Policy</u> that includes a commitment to water, and applies to all the companies in the Telefónica Group, regardless of location or business activity.	
	9. Investments in companies producing chemicals	Companies whose activities fall within Division 20.2 of Annex I to Regulation (EC) No 1893/2006	N/A	
Water, waste, and material emissions	10. Land degradation, desertification, soil sealing	Companies whose activities may cause soil degradation, desertification or soil sealing	N/A	
	11. Investments in companies without sustainable land/agriculture practices	Companies without sustainable agricultural or land use practices or policies	N/A	
	12. Investments in companies without sustainable oceans/seas practices	Companies without sustainable ocean/sea practices	N/A	
	13. Non-recycled waste ratio	Tons of non-recycled waste generated	2%	
	14. Natural species and protected areas	Companies whose operations affect threatened species	N/A	
	15. Deforestation	Companies without policies to address deforestation	N/A	
Green securities	16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Proportion of securities not issued under Union law on environmentally sustainable bonds	N/A	



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

	ıformat	

Adverse Sustainability Indicator		Metric	2022
Additional indicato	rs for social and employe	e, respect for human rights, anti-c	orruption and anti-bribery matters
	Investments in companies without workplace accident prevention policies	Companies without accident prevention policies in place	Please see our <u>Occupational Health,</u> <u>Safety and Well-Being Policy</u>
	2. Rate of accidents	Rate of accidents	Please see chapter 2.9.6. Main occupational health and safety indicators (Safety, health and well-being at work).
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of days lost to injuries, accidents, fatalities or illness	Please see chapter 2.9.6. Main occupational health and safety indicators (Safety, health and well-being at work).
	4. Lack of a supplier code of conduct	Companies without a supplier code of conduct (versus unsafe working conditions, work precarious, child labour and forced labour)	Supplier conduct is integrated throughout our policies.
Social and employee	5. Lack of grievance/ complaints handling mechanism related to employee matters	Companies without a grievance/ complaints managing mechanism related to employee matters	Our whistleblower channel allows all employees and stakeholders to report, anonymously or personally.
matters	6. Insufficient whistleblower protection	Investments in entities without whistleblower protection policies	Our whistleblower channel complies with the European Directive on the protection of persons reporting breaches of EU law, as well the Good Governance Code for listed companies.
	7. Incidents of discrimination	Number of incidents of discrimination reported in companies	0
		Number of incidents of discrimination that gave rise to sanctions in companies	
	8. Excessive CEO pay ratio	Average ratio between the total annual remuneration of the person with the highest salary and the average annual remuneration of the group of workers (excluding the person with the highest remuneration)	103:1

- 1. Strategy and growth model
 2. Non-financial Information statement
 3. Risks
 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 6. Other information

Adverse Sustainability Indicator		Metric	2022	
	9. Lack of a human rights policy	Entities without human rights policy	We have a <u>Global Human Rights Policy</u> in place that was adopted by our Board of Directors and is applicable to all companies of the Telefónica Group.	
	10. Lack of due diligence	Entities without a due diligence process to identify, avoid, mitigate and address adverse human rights	We have a longstanding human rights due diligence process in place, which is elaborated on in greater detail in our Global Human Rights Policy.	
		incidents	Please see chapter 2.15.6. Action plan and commitments (Human Rights).	
	11. Lack of processes and measures for preventing trafficking in human beings	Companies invested without proper processes and measures for preventing trafficking in human beings	As part of our <u>Global Human Rights</u> <u>Policy</u> , we prohibit any form of human trafficking within our operations as well as supply chain and conduct riskbased due diligence to minimise any possible risks in our supply chains.	
	12. Operations and	Operations and suppliers at	No significant risk identified.	
Human Rights	suppliers at significant risk of incidents of child labour	significant risk of incidents of child labour in terms of geographic areas or types of operation	Please see chapter 2.20.5. Action plan and commitments (Responsible supply chain management).	
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas or types of operation	No significant risk identified.	
			Please see chapter 2.20.5 Action plan and commitments (Responsible supply chain management).	
	14. Number of identified cases of severe human rights issues and incidents	Number of identified cases of severe human rights issues and incidents	See answer to "Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises". No cases of severe human rights issues and incidents. Having said that, we report the number of consultations/complaints on human rights in our Responsible Business Channel.	
			Please see chapter 2.15. Human rights.	
	15. Lack of anti- corruption and anti- bribery policies	Entities without anti-corruption and anti-bribery policies consistent with the United Nations Convention against Corruption	Please see our <u>Anti-corruption Policy</u>	
Anti-corruption & anti- bribery	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Please see chapter 2.17.5. Action Plan and Commitments (Ethics and compliance).	
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Number of convictions and amount of fines for violation of anticorruption and anti-bribery laws	Please see Note 29 b) in Consolidated Annual Accounts.	



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders of Telefónica, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 December 2022 of Telefónica, S.A. (Parent company) and subsidiaries (hereinafter "Telefónica" or the Group) which forms part of the accompanying Group consolidated management report ("CMR").

The content of the consolidated management report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in the table "2.21.9. Compliance table of Spanish Law 11/2018 of 28 December – GRI Standards" included in the accompanying consolidated management report.

Likewise, we have carried out a moderate assurance engagement of the application of the principles of inclusivity, materiality, responsiveness, and impact, related to the information included in the section "1.4 Materiality" of the CMR in accordance with the provisions of the 2018 AccountAbility Principles Standard AA1000 (AA1000AP) issued by AccountAbility.

Responsibility of the directors of the Parent company

The preparation of the NFIS included in Telefónica's consolidated management report and the content thereof, are the responsibility of the directors of Telefónica, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and in accordance with the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") as per the details provided for each matter in the 2.21.9. Compliance table of Spanish Law 11/2018 of 28 December – GRI Standards of the consolidated management report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of material misstatement due to fraud or error.

The directors of Telefónica, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality management

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

.....



Our firm applies current international quality standards and maintains, consequently, a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Non-Financial Information Statement issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In addition, we have performed our moderate assurance engagement (type 2) in accordance with the AA1000 Assurance Standard v3 issued by AccountAbility in relation to the nature and extent of the organization's compliance with the principles, as well as the reliability of specific information regarding sustainability performance.

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of the Group that were involved in the preparation of the NFIS, of the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Telefónica, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance, and integrity of the content of the NFIS for the year 2022, based on the materiality analysis carried out by the Group and described in section "1.4 Materiality", taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the NFIS for the year 2022.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the NFIS for the year 2022.
- Analysis of the documentation and actions related to the application of the inclusivity, materiality, responsiveness, and impact principles of the AA1000AP (2018).
- Verification, by means of sample testing, of the information relating to the content of the NFIS
 for the year 2022 and that it was adequately compiled using data provided by the sources of the
 information.



- Regarding the indicators on energy consumption and greenhouse gas emissions, we have reviewed that they have been verified by an independent third party in accordance with the ISO 14064-3 standards and we have evaluated the competence, capabilities and objectivity of the verification team and the adequacy of its work based on a review of the work planning activities and reports issued.
- Obtaining a management representation letter from the directors and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that:

- the NFIS of Telefónica, S.A. and its subsidiaries, for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and in accordance with the criteria of GRI as per the details provided for each matter in the table "2.21.9. Compliance table of Spanish Law 11/2018 of 28 December GRI Standards" of the consolidated management report.
- The information included in the section "1.4. Materiality" of Telefónica's CMR, regarding the application of the principles of inclusivity, materiality, responsiveness, and impact, has not been prepared, in all of their significant matters, in accordance with the provisions of the AA1000AP (2018).

Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities aligned in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2022, in addition to the information referring to eligible activities required in the year 2021. Consequently, comparative alignment information has not been included in the accompanying NFIS. Additionally, it should be noted that Telefónica's directors have restated the previous year's indicators on eligibility, which differ from those contained in the NFIS approved in that year, and have incorporated information on the criteria that, in their opinion, best allow compliance with the aforementioned obligations and that are defined in section "1.8. European taxonomy of sustainable activities" of the accompanying NFIS. Our conclusion has not been modified in relation to this matter.

Recommendations

Regarding the observations and recommendations for improvement which have arisen from the implementation of our assurance engagement, we proceed to suggest some recommendations which seek to empower the application of the principles of inclusivity, materiality, responsiveness, and the impact of the AA1000AP Standard (2018). Nevertheless, these improvements do not modify the limited or moderate nature of this assurance engagement report.



Inclusivity

In its 2022 consolidated management report, the Group highlights the updating of its materiality matrix under the framework of double materiality through the integration of sustainability aspects as elements of its strategy and decision-making processes. Regarding the strategy of participation and commitment with stakeholders in this updating exercise, Telefónica includes, in section "C. Commitment to stakeholders, including their perception of the issues identified and assessed", which is part of the section "1.4.1. Double materiality" of the management report, the way in which the main stakeholders have participated in the identification and weighting of the issues of relevance for each group consulted.

Double materiality addresses the identification and evaluation of impacts from a double perspective, on the one hand, impacts on the value of Telefónica, and on the other, impacts on society and environment, including those that affect human rights, derived from the Company's activity. In line with the foregoing, it is recommended that Telefónica continues working, identifying the impacts on the affected stakeholders based on the real or potential damages or benefits for the affected parties.

Relevance

With the approval of the European Corporate Sustainability Reporting Directive (CSRD), the concept of double materiality is emphasized, urging entities to contemplate and provide more information on how non-financial aspects impact the entity's financial position and results ("financial materiality" or "inward impacts") as well as on how society impacts the environment in a broad sense (including social and environment aspects, protection of human rights, etc.) and, consequently, how the entity impacts the different stakeholders ("environmental and social materiality" or "outward impacts").

Telefónica's double materiality analysis has been performed in four steps to assess the impact from a global perspective, according to the impact on Telefonica's value and the impact on society and the environment: identification and updating of material issues; evaluation and prioritization through evidence demonstrating the impact on society and the environment and on the Company's value; engagement with stakeholders, including their perception of the issues identified and evaluated, and monitoring and validation of the materiality process.

In this sense, it is recommended that Telefónica continues advancing and adapting to the Guidelines of the European Financial Reporting Advisory Group (EFRAG). It is advisable for Telefónica to create its own matrices for each stakeholder group according to the relevant aspect identified and, as far as possible, to include the variable of reputational risk analysis in relation to the impacts of each stakeholder group.

Responsiveness

The double materiality approach helps the Company to respond to relevant sustainability issues and their related impacts on its external and internal stakeholders and ensures that Telefónica's decisions, actions and performance incorporate relevant issues and their related impacts. Thanks to the creation of the diverse communication channels, action plans have been established which respond to the needs that have arisen, generating positive impacts, and minimizing negative impacts.

Responding to stakeholders in a way that addresses the specific needs, concerns and expectations of each group has become a strategic aspect for the entities. In this sense, the Group has specific communication channels for each stakeholder group, with which it seeks to provide a response that addresses the specific needs, concerns, and expectations of each group. Along these lines, during fiscal year 2022, based on the relevant issues identified, the Group has developed consultation processes with certain stakeholders (customers and employees) with the aim of proposing improvements in the organization's response, addressing the specific needs, concerns, and expectations of these stakeholders, identified in the consultation processes.



In line with the above, we recommend Telefónica to continue developing consultation and communication processes with the rest of the stakeholders associated with those relevant issues that emerged in the double materiality analysis.

Impact

In 2022, the Key Performance Indicators (KPIs) reflected in fiscal year 2021 have been maintained, allowing us to evaluate performance in terms of impact with respect to previous years. In this regard, the table "Communication channels with our stakeholders" included in section "1.4.5. Stakeholder engagement" includes a series of KPIs related to issues that may be of interest to different stakeholders. Additionally, in 2022, a new indicator (multi-channel relationship survey) related to Customers has been integrated, that identifies surveys conducted with this stakeholder group to learn about their experience with Telefónica and improve contact channels.

In this regard, it is recommended that the Group continues working on the alignment of the different KPIs identified, associating them with its different stakeholders, which will allow it to continue strengthening the measurement and evaluation of the Group's impacts in line with the Group's commitment to transparency and effective dialogue.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones Ilundáin

23 February 2023



- 2. Non-financial Information statement
 - 3 Dieke
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



Verification Statement of AENOR for Telefónica on the Inventory of greenhouse gas emissions corresponding to the year 2022

DOSSIER: 2009/1123/GHG/01

Telefónica (hereinafter the company) commissioned AENOR INTERNACIONAL, S.A.U. (AENOR) to make a limited revision of the inventory of greenhouse gases (GHG) of its activities included in the GHG report of 2022, which is part of this Declaration.

AENOR is accredited by Entidad Mexicana de Acreditación (OVVGEI 004/14) (issue date: 31/10/2014), update date 19/07/2021), according to ISO 14065: 2013, to conduct GHG verifications according to ISO 14064-3: 2006 in the Energy and Waste Sector.

Inventory of GHG emissions issued by the Organisation: Telefónica, C/ Ronda de la Comunicación, Distrito Telefónica, Madrid

Representatives of the Organisation: Maya Ormazábal Herrero/Camilo Andrés Guarín García, Climate Change and Energy Efficiency Office of Telefónica.

Telefónica was responsible for reporting its GHG emissions considered in accordance with the reference standard ISO 14064-1; 2006.

The objective of the verification is to provide the interested parties with an independent and professional opinion on the information and data contained in the above mentioned GHG Report issued by Telefónica.

Scope of the Verification

The GHGs and emissions sources considered as well as the organizational boundaries from the activities of Telefónica included in the GHG inventry are described below.

The GHG inventory of the organization includes the following GHGs: CO₂, CH₄, N₂O, HFCs and HCFCs.

For the verification process, a control approach is considered, under which Telefónica accounts for emissions attributable to the operations and facilities over which it exercises operational control.

Facilities is understood as base stations, technical buildings, vehicle fleets, office buildings, call centers and stores. Under this approach, the scope of the geographic verification is established for the following countries where the Telefónica Group operates:

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 1 de 6

R-DTC-500

AENOR

Organizational and geographic boundaries		
Europe	Latin America	Telxius Group
Spain	Argentina (fixed and mobile networks)	
Fixed and mobile networks	Brazil (fixed and mobile networks)	
Corporate Buildings	Chile (fixed and mobile networks)	
Distrito Telefónica	Colombia (fixed and mobile networks)	
Diagonal Building	Ecuador (mobile network)	
Gran Vía Building	Mexico (mobile network)	
Boecillo Building	Peru (fixed and mobile networks)	
Germany (fixed and mobile networks)	Uruguay (mobile network)	
	Venezuela (mobile network)	

Direct, indirect activities and exclusions from the verification.

- Scope 1- Direct GHG emissions
- Scope 2 Energy indirect GHG emissions Scope 3- Other indirect emissions:
- - o Purchased goods and services
 - Capital goods
 - o Fuel- and energy-related activities (not included in scope 1 or scope 2)
 - Business travel
 - Use of sold products
 - Investments

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 2 de 6

- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information



Base Year

Telefónica has selected 2015 as the base year for Scope 1 and 2 and 2016 for Scope 3.

For the verification it was agreed to consider as material discrepancies those omissions, distortions or errors that could be quantified and result in a difference of more than 5% with respect to the total of emissions declared.

In general, the verification of the Greenhouse Gas Inventory Report has been carried out taking into account the requirements set out in the Greenhouse Gas Inventory Report:

- a) GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- b) ISO 14064-3:2006 Standard: Specification with guidance for the validation and verification of greenhouse gas assertions

AENOR expressly disclaims any responsibility for investment or other decisions based on this statement.

Conclusion

As a conclusion and according to the limited level of assurance agreed, AENOR states:

There is no evidence to suggest that Telefónica's information reported greenhouse gas emissions for the 2022 period is not a true and fair representation of the emissions from its activities.

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 3 de 6

R-DTC-500

AENOR

Consistent with this Declaration, the emissions and energy consumption data finally verified are listed below:

Year: 2022 Scope 1: Direct GHG emissions Scope 2: Energy indirect GHG emissions (Location-Based Method) Scope 2: Energy indirect GHG emissions (Market-Based Method)		t CO ₂ e 131.809 1.002.189 221.537			
			Scope 3: Other indirect GHG emissions	s (total)	1.974.033
			 Purchased goods and services 		1.012.294
			o Capital godos		225.991
 Fuel- and energy-related activity 	ties (not included in scope 1 or scope 2)	120.194			
o Business travel		21.149			
 Use of sold products 		550.423			
o Investments		43.982			
Biogenic emissions		13.873			
Emissions offsets		36.331			
Net Emissions [Scope 1 + Scope 2(mark	et) - Emissions offsets]	118.410			
Directed actions		131.809			

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 4 de 6



- Strategy and growth model
 Non-financial Information statement
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Energy consumption data:

Year: 2022	
Total energy consumption (MWh)	6.106.255
Total electricity consumption (MWh) + Self-generation of renewable energy (MWh)	5.824.828
Fuel and District heating (MWh)	281.427
Consumption of electricity from renewable sources including self-generation (MWh)	4.619.736
% Consumption of renewable electricity in own facilities	82,26 %
Directed actions (MWh)	407.862

Directed actions:

2022 Energy Efficiency Plan: In order to optimise the energy consumption of Telefónica's communications network, different actions have been implemented, among which the following stand out:

- Network transformation
- Cooling Modernization of power equipment
- Lighting Power Saving Features
- Self-consumption

Derived from the implementation of the 2022 Energy Efficiency Plan, a saving of **118.410 tCO2e** was achieved (equivalent to a saving of **407.862 MWh** in electricity consumption).

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 5 de 6

R-DTC-500

AENOR Confia

Lead Verifier: D. Jesús Carlos SAN MELITON SANZ

Technical Evaluator: D. Fernando SEGARRA ORERO

Madrid, 09 th of February 2023

22697070A Firmado FERNANDO SEGARRA (C:A8307668 SEGARRA 7) FERNANDO SEGARRA 7) (C:A83076687)

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 6 de 6



- 1. Strategy and growth model
- 2. Non-financial Information statement
 - 3 Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



Verification Statement of AENOR for Telefónica United Kingdom on the Inventory of greenhouse gas emissions corresponding to the year 2021

DOSSIER: 2009/1133/GHG/01

Introducción

Telefónica (hereinafter the company) commissioned AENOR INTERNACIONAL, S.A.U. (AENOR) to make a limited revision of the inventory of greenhouse gases (GHG) of its activities included in the GHG report of 2021, which is part of this Declaration.

AENOR is accredited by Entidad Mexicana de Acreditación (OVVGEI 004/14) (issue date: 31/10/2014), update date 10/07/2021), according to ISO 14065:2013, to conduct GHG verifications according to ISO 14064-3:2006 in the Energy and Waste Sector.

Inventory of GHG emissions issued by the Organisation: Telefónica, C/ Ronda de la Comunicación, Distrito Telefónica, Madrid

Representatives of the Organisation: Maya Ormazábal Herrero/Camilo Andrés Guarín García, Climate Change and Energy Efficiency Office of Telefónica.

Telefónica was responsible for reporting its GHG emissions considered in accordance with the reference standard GHG PROTOCOL.

Objective

The objective of the verification is to provide the interested parties with an independent and professional opinion on the information and data contained in the above mentioned GHG Report issued by Telefónica.

Scope of the Verification

The GHGs and emissions sources considered as well as the organizational boundaries from the activities of Telefónica included in the GHG inventry are described below.

The GHG inventory of the organization includes the following GHGs: CO₂, CH₄, N₂O, HFCs and HCFCs.

For the verification process, a control approach is considered, under which Telefónica accounts for emissions attributable to the operations and facilities over which it exercises operational control.

Facilities is understood as base stations, technical buildings, vehicle fleets, office buildings, call centers and stores. Under this approach, the scope of the geographic verification is established.

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN)

R-DTC-500



Direct, indirect activities and exclusions from the verification.

- Scope 1- Direct GHG emissions
- Scope 2 Energy indirect GHG emissions

Base Year

Telefónica has selected 2015 as the base year for Scopes 1 and 2.

Materiality

For the verification it was agreed to consider as material discrepancies those omissions, distortions or errors that could be quantified and result in a difference of more than 5% with respect to the total of emissions declared.

Criteria

In general, the verification of the Greenhouse Gas Inventory Report has been carried out taking into account the requirements set out in the Greenhouse Gas Inventory Report:

- a) GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- b) ISO 14064-3:2006 Standard: Specification with guidance for the validation and verification of greenhouse gas assertions

AENOR expressly disclaims any responsibility for investment or other decisions based on this statement.

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 2 de 4





- 2. Non-financial Information statement
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information



Conclusion

As a conclusion and according to the limited level of assurance agreed, AENOR states:

There is no evidence to suggest that Telefónica United Kingdom's information reported greenhouse gas emissions for the 2021 period is not a true and fair representation of the emissions from its activities.

Consistent with this Declaration, the emissions and energy consumption data finally verified are listed below:

Emissions data:

Year: 2021 (JANUARY-MAY)	t CO₂e
Scope 1: Direct GHG emissions	1.410
Scope 2: Energy indirect GHG emissions (Location-Based Method)	46.368
Scope 2: Energy indirect GHG emissions (Market-Based Method)	13.926

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 3 de 4

R-DTC-500



Energy consumption data:

Year: 2021 (JANUARY-MAY)	
Total energy consumption (MWh)	223.657
Total electricity consumption (MWh) + Self-generation of renewable energy (MWh)	218.417
Fuel and District heating (MWh)	5.239
Consumption of electricity from renewable sources including self-generation (MWh)	174.347
% Consumption of renewable electricity in own facilities	100%

Lead Verifier: D. Jesús Carlos SAN MELITON SANZ

Technical Evaluator: D. Fernando SEGARRA ORERO

22697070A FERNANDO SEGARRA

Firmado digitalmente por 22697070A FERNANDO (C:A83076687) SEGARRA (C:A83076687)

Madrid, 10th of February 2022

AENOR INTERNACIONAL, S.A.U. C/ GÉNOVA 6, 28004 MADRID (SPAIN) Page 4 de 4



- 1. Strategy and growth model
- 2. Non-financial Information statement
 - 3. Risks
 - 4. Annual Corporate Governance Report
 - 5. Annual Report on Remuneration of the Directors
 - 6. Other information

2.22. Reasonable assurance

2.22.1. Strengthening the control of Non-Financial Information

Telefónica is aware of the growing importance of reporting non-financial/sustainability information to our stakeholders. This is a growing demand not only from our customers and society as a whole, but also from investors and regulators. In Spain specifically, the Good Governance Code of Listed Companies (revised in June 2020) strengthens the roles allocated to the Audit Committee. The document recommends allocating roles related to the oversight and assessment of non-financial information preparation and integrity to this committee, as well as the oversight and assessment of non-financial risk management and control systems. It also recommends revising compliance with regulatory requirements, the appropriate definition of the scope of consolidation and the correct application of accounting criteria in line with the guidelines previously established in 2017 under Technical Guidelines 3/2017 of the Spanish National Securities Market Commission (CNMV).

For that reason, Telefónica began designing the Non-Financial Information Internal Control System (NFIICS) in 2019. This project covers risk management, control activities, information and disclosure processes, and oversight activities for the entire non-financial reporting process. The aim is to provide a control framework for the non-financial/sustainability information to be reported in the Consolidated Management Report of the Telefónica Group.

The project has led to the production of a reasonable assurance report by the external verifier PwC since 2020. Suppliers were updating their ESG assessment processes in 2022 in line with the proposed European Directive on Corporate Sustainability Due Diligence. Telefónica has therefore replaced certain indicators that reflect our performance in the supply chain.

As a result, our reasonable assurance report has been drawn up according to the following six indicators:

Awarded suppliers (N°)

- Volume of purchases awarded (M€)
- · Net Promoter Score (NPS) (%)
- Severe digital security breaches with an impact on the personal data of customers (N°)
- Privacy and data protection fines (N°)
- Privacy and data protection fines stemming from a security breach or incident (N°)

As referred to in section 2.21.5. Principles for preparing the Non-Financial Information Statement (NFIS), Telefónica reports non-financial/sustainability information according to the GRI and SASB standards and frameworks, among others

The reasonable assurance procedures followed by the external verifier covered the Telefónica Group's main operators in Spain, Brazil and Germany for the purposes of the Integrated Report of the Telefónica Group as at 31 December 2022.

Our Company will continue to implement this project with a view to further strengthening our NFIICS.

Indicators under Reasonable Assurance 2022

Indicator	Valor
Awarded suppliers	3,562
Volume of purchases awarded	14,375 M€
NPS	31
Severe digital security breaches with an impact on the personal data of customers	1
Fines for privacy/data protection issues	14
Stemming from a security breach or incident	0

Aggregate data for Telefónica Spain, Telefónica Germany and Telefónica Brazil, and their subsidiaries, the scope of consolidation for which is given in Appendix I: Scope of consolidation for the Consolidated Financial Statements 2022. The companies "Bluevia Fibra" and "Vita IT Comércio e Serviços de Soluções" are excluded as they were incorporated into the Group in the last quarter of 2022.



1. Strategy and growth model

2. Non-financial Information statement

- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Indicator preparation and reporting criteria

Awarded suppliers (N°)

The total number of suppliers registered in the procurement system to which the procurement of products/services was allocated under the following premises:

- Purchases allocated on any allocation date up to 31 December in the year corresponding to the Consolidated Management Report and with an impact on the budgetary year corresponding to said report.
- · Data from the Global Procurement platform are included.
- The following purchases are excluded: content (films, series, programmes), exempt purchases (listed in the Telefónica procurement manual), MCT and purchases from suppliers belonging to the Telefónica Group.

Volume of purchases awarded (M€)

Total amount (in euros) of purchases allocated by the Telefónica Group with an impact on the budgetary year corresponding to the Consolidated Management Report.

- Purchases allocated on any allocation date up to 31 December in the year corresponding to the Consolidated Management Report and with an impact on the budgetary year corresponding to said report.
- · Data from the Global Procurement platform are included.
- The following purchases are excluded: content (films, series, programmes), exempt purchases (listed in the Telefónica procurement manual), MCT and purchases from suppliers belonging to the Telefónica Group.

2. Non-financial Information statement

- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Net Promoter Score (NPS) (%)

NPS is defined as the willingness of a Telefónica customer to recommend products/services under the Movistar, O2 and Vivo brands.

The calculation refers to the % of customers classified as promoters (score of 9 and 10) minus the % of customers classified as detractors (score from 1 to 6, inclusive).

To obtain the % of customers in each category (promoters and detractors), a survey is conducted on a representative sample of customers* and then weighted to represent the reality for Telefónica's customers in each country/segment/sub-segment.

The weighting applied to the NPS results is based on the following variables:

- · Global NPS: representativeness of each country's net revenue budget in the current year.
- Total country NPS: representativeness of each segment's net revenue budget in the current year. The
 segments differ depending on the country presenting the information. The main segments include: mass
 market, corporate, SME, large accounts, Blau, O2, B2P, fixed-line residential, pre-paid mobile, post-paid
 mobile.
- Segment NPS: according to the needs of each country and to guarantee better sample representativeness, the study quotas are sub-segmented according to the variables of total revenue in the previous year and accesses.

The reported NPS refers to the mobile average from the final quarter of the year, except for segments from the countries listed below:

- Spain: the "large accounts" segment refers to the annual mobile average.
- Brazil: the "corporate" segment refers to the annual half-yearly average.

In certain specific cases, where the required samples for a given segment are not obtained, half-yearly averages are used to ensure sample representativeness.

*Sample size calculation:

To calculate the sample size needed for the NPS study on each of the segments, the following formula should be used:

$$n = \frac{k^2 * VAR_{NPS}}{C.I.^2}$$

Where:

- n: sample size.
- k = 1.96 (Reliability Factor associated with a confidence level of 95%).
- · VARNPS: NPS variance.
- · C.I.: desired Confidence Interval.

The NPS variance is calculated as:

$$VAR(NPS) = (1 - NPS)^2 * \%P + (0 - NPS)^2 * \%N + (-1 - NPS)^2 * \%D$$

Where:

- %P: the percentage of Promoters; %N = the percentage of Neutrals; and %D = the percentage of Detractors.
- NPS = %P %D.
- N: total customers in the sample

The segment level formula to be applied for calculating the NPS standard error is as follows:

$$EE = \frac{s}{\sqrt{n}}$$

- · EE: Standard Error.
- s: sample standard deviation. This is also the square root of the variance.
- n: sample size.

The Standard Error for the weighted country total is calculated from the standard error of each segment and the respective segment weights:

$$EE_{(total\ county)} = \sqrt{\sum (W_{segment} * EE_{segment})^2}$$

Where:

- · W: Weight of the segment in the country total.
- · EE: Standard Error.



1. Strategy and growth model

- 2. Non-financial Information statement
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Severe digital security breaches with an impact on the personal data of customers (N°) Total number of digital security breaches or incidents classified as serious by the Telefónica Group which have compromised the security of customers' personal data as a result of a cyberthreat or cyberattack.

A "digital security breach or incident" is understood as any event which has a real adverse impact on the security of networks and information systems and is caused by a cyberthreat.

Of such events, those classified as serious (critical severity) are the ones which have a high impact for the Group company concerned and meet one of the following criteria:

- · Estimated direct economic impact of more than €500,000.
- · Significant traditional and social media coverage, assessed by the local cybersecurity team.
- Impact on the continuity of a main service (mobile or fixed telephony, internet, etc.), affecting more than 10% of users for at least one hour.
- · Affecting more than 25% of systems.
- Relating to leakage of customer or employee data, provided that more than 5% of customers or
 employees have been affected. They may also be considered as having a high impact when, without
 reaching the threshold, they pose a high risk to the rights and freedoms of natural persons.
- · Other (as justified by the Chief Security Officer).

A "cyberthreat" is understood as a potential cause of an unexpected incident which could result in damage to an information asset, or to the organisation, and is implemented via the internet or communication networks.

A "cyberattack" is understood as the realisation of a cyberthreat.

Privacy and data protection fines (N°)

Total number of definitive financial penalties for privacy and data protection matters related to customers, employees or others (e.g. potential customers, non-customer web users, etc.) issued by a competent authority with no option to appeal under applicable local law.

Privacy and data protection fines stemming from a security breach or incident (N°) In addition to the total number, those penalties that meet the above definition, and which are also the consequence of a personal data security breach, are reported as a subset of the "Privacy and data protection fines" indicator.

A "personal data security breach" is understood to be a single or series of unexpected or unwanted security events which have a significant likelihood of compromising business operations and threatening information security vis-à-vis confidentiality, integrity or availability, and that result in the accidental or unlawful destruction, loss or alteration or unauthorised disclosure of or access to personal data transmitted, stored or otherwise processed, or the unauthorised disclosure of or access to such data, such as those stemming from lost or stolen devices, data leakage, ransomware or unintentional communications.



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent reasonable assurance report

To the Board of Directors of Telefónica, S.A.:

We have carried out a reasonable assurance engagement on the non-financial indicators contained in the table "Indicators under Reasonable Assurance 2022" in section "2.22.1 Strengthening the control of Non-Financial Information" (hereinafter "section 2.22.1") of the Consolidated Management's Report for 2022 of Telefónica, S.A. (Parent Company) and subsidiaries related to the Telefónica group companies identified in Appendix I and operating in the markets of Spain, Brazil and Germany, linked to its core business, which is mainly associated with the deployment of telecommunications networks and the management and marketing of services related to the networks (hereinafter "Telefónica's main operators"), for the year ended 31 December 2022, prepared in accordance with the "Indicator preparation and reporting criteria", contained in section 2.22.1 and established by Telefónica S.A.

Responsibility of the directors of the Parent company

The directors of Telefónica, S.A. are responsible for the preparation, content and presentation of the non-financial indicators prepared in accordance with the "Indicator preparation and reporting criteria" contained in section 2.22.1. This responsibility includes the design, implementation and maintenance of the internal control that is considered necessary to enable the non-financial indicators to be free from material misstatement, whether due to fraud or error.

Telefónica S.A. directors are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information for the preparation of the non-financial indicators is obtained.

Our responsibility

Our responsibility is to issue a reasonable assurance report based on the procedures we have performed and the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, "Assurance Engagements Other than Audits and Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

A reasonable assurance engagement requires, planning for the engagement, understanding of the non-financial indicators in section 2.22.1 on which the report is issued, and other engagement circumstances, as well as an assessment of the risk that material misstatements may exist, intentional or not, the response to such risks to the extent necessary under the circumstances, based on our professional judgement, the evaluation of the content and global presentation of the information presented, and the performance of other procedures that we have deemed necessary.



A reasonable assurance engagement, in accordance with ISAE 3000 Revised, includes obtaining an understanding of the System of Internal Control over Non-Financial Information, assessing the risk that material weaknesses in the internal control may exist, that controls are not adequately designed or operating effectively, performing such tests and evaluating the design and implementation effectiveness of such system which are based on our professional judgment, and the performance of other procedures considered to be necessary.

We believe that the evidence we have obtained provides a sufficient and appropriate basis for our opinion.

A summary of the procedures performed is described hereafter:

- Meetings and interviews with the managers and personnel of Telefónica, S.A. and the various units of Telefónica's main operators involved in the preparation of section 2.22.1 of the Consolidated Management Report, including the responsible of obtaining, validating, and compiling the information included therein.
- Analysis of the procedures and systems used to compile and validate the information presented in section 2.22.1 of the Consolidated Management Report.
- Analysis of the adaptation and presentation of the non-financial indicators to the "Indicator preparation and reporting criteria" established by Telefónica S.A. and Telefónica's main operators, as well as the consistent application of mentioned criteria.
- Obtaining the original supporting documentation, quantitative or qualitative, obtained from the information management systems of Telefónica's main operators or from external sources, used in the preparation of the non-financial indicators.
- Performing tests in the design and effectiveness of the internal controls established in the process of compiling and validating the information included in the non-financial indicators.
- Performing substantive detailed testing on the non-financial indicators of Telefónica's main operators.
- Verification, by means of tests, based on the selection of a sample of quantitative information on the non-financial indicators of Telefónica's main operators. We have also checked that they are adequately compiled from the data supplied by the information sources of Telefónica's main operators.
- Obtainment of a management representation letter from the directors and the management of Telefónica S.A.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence, and due care, confidentiality, and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards, and applicable legal and regulatory provisions.



Opinion

In our opinion, the non-financial indicators of Telefónica's main operators for the year ended 31 December 2022 included in the table "Indicators included in Reasonable Assurance, 2022" in section 2.22.1 of the Consolidated Management's Report have been appropriately and reliably prepared, in all material respects, in accordance with the "Indicator preparation and reporting criteria" contained in section 2.22.1 and established by Telefónica, S.A.

Use and distribution

Our report is issued solely to the directors of Telefónica S.A., in accordance with the terms of our engagement letter. We accept no responsibility to parties other than the directors of Telefónica, S.A.

This work does not constitute an account audit and is not subject to the current audit regulations in Spain and, accordingly, we do not express an audit opinion in accordance with those regulations.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones Ilundáin

23 February 2023



Appendix I: Subsidiaries of Telefónica Group included in the report of section 2.22.1 Strengthening the control of Non-Financial Information

Telefónica Spain

- Telefónica Móviles España, S.A.U.
- Telefónica de España, S.A.U.
- Telefónica Servicios Integrales de Distribución S.A.U.
- Telefónica Soluciones de Informática y Com. de España S.A.U.
- Solar360 Soluciones de Instalacion y Mantenimiento S.L.
- Telefónica España Filiales, S.A.
- Telefónica Soluciones de Outsourcing, S.A.
- Teleinformática y Comunicaciones, S.A.U. (Telyco)
- Telefónica Broadcast Services, S.L.U.
- TBSC Barcelona Producciones, S.L.U.
- Telefónica Audiovisual Digital, S.L.U.
- Telefónica Global Technology, S.A.U.
- Telefónica Educación Digital, S.L.
- Telefónica Servicios Audiovisuales, S.A.U.

Telefónica Germany

- Telefónica Germany GmbH & Co. OHG
- Telefónica Deutschland Holding A.G.
- Telefónica Deutschland Finanzierungs GmbH.
- Telefónica Germany Next GmbH.
- E-Plus Service GmbH & Co.

Telefónica Brazil

- Telefónica Brasil, S.A.
- Terra Networks Brasil, Ltda.
- Telefônica Infraestructura e Segurança Brasil Ltda.
- Garliava RJ Infraestrutura e Redes de Telecomunicacoes S.A.
- Vivo ventures fundo de investimento em participacoes multiestrategia.

- Strategy and growth model
 Non-financial Information statement

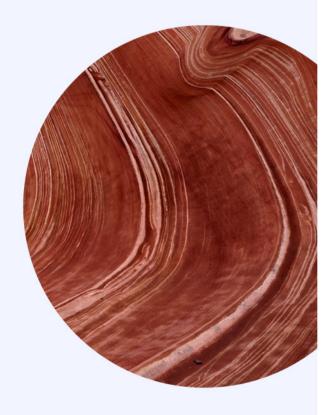
3. Risks

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

3 Risks

- **3.1.** Risk management framework
- **3.2.** Risk map
- 3.3. Risk factors







- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3.1. Risk management framework

GRI 2-12, 3-3

KEY POINTS



Aligning risks with the Group's strategy is essential to achieve our objectives, contributing to value creation.



Our enterprise risk management (ERM) framework facilitates preventive action against risks, both globally and in the main Group operating businesses.



Training and involving employees in the risk management culture, encouraging them to identify risks and actively participate in their mitigation is one of the basic principles that guide risk management.

3.1.1. Introduction and reference frameworks

Telefonica has a Risk Management Framework, based on the model established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO¹). This framework has been implemented homogeneously throughout the Group's main operations, so that the Company Managers, within their scope of action, can perform a timely identification, assessment, response and monitoring of the main risks.

This model, which is inspired by best practices, facilitates the prioritization and development of coordinated actions against risks, both from a global Group perspective, and a specific focus on its main operations.

The Telefónica's Business Principles specifically state that:

"We establish appropriate controls to evaluate and manage all relevant risks to the Company"

Extract from Responsible Business Principles of Telefónica.







In this sense, the Company has a Risk Management Policy, approved by the Board of Directors, and a Corporate Risk Management Manual, both based on experience, best practices and Good Corporate Governance recommendations; contributing to the continuous improvement in business performance.

3.1.2. Risks and strategy

Telefónica Risk management remains embedded in our planning process and is fully aligned with our strategy, in line with the requirements of COSO ERM 2017.

COSO ERM framework, "Enterprise Risk Management -Integrating with Strategy and Performance", released in September 2017 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is one of the most importance reference on internal control, enterprise risk management, and fraud deterrence

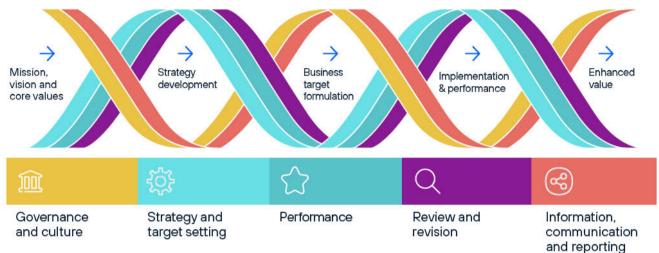


- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

COSO ERM Framework



"The main risks are linked to the Company's strategic objectives".



0 0 0

Go to chapter 1.5 Startegy

Some of the risks most directly related to the Company's strategy relate mainly to the need for anticipation and adaptation, in an appropriate time, to constant technological changes and new forms of connectivity (For example: Internet of Things), as well as changes in customer preferences in the industry.

3.1.3. Risk Management Governance

Both the Telefonica's Business Principles and the Risk Management Policy mentioned above, establish that the entire organization has the responsibility to contribute to the identification and management of risks. For the coordination of these activities, the following roles have been established:

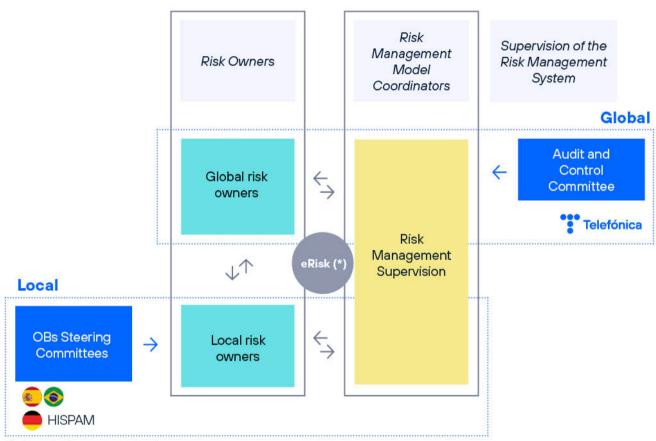


- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Risk Management Governance



(*) Internal risk management tool

> Supervision of the Risk Management System

The Regulations of the Board of Directors of Telefónica, SA, establish that the primary duty of the Audit and Control Committee (ACC) shall be to support the Board of Directors² in its supervisory duties, including the supervision of the risk management framework, including tax risks. In relation to them, it shall be responsible for proposing to the Board of Directors a risk control and management policy, which shall identify at least the following: the types of risk facing the company; the setting of the risk level that the Company deems acceptable; the measures to mitigate the impact of the identified risks, should they materialize; and the control and information systems to be used to control and manage the above-mentioned risks.

To support the Audit and Control Committee in the development of these oversight activities, a risk management function has been established, within Internal Audit, independent of the management, in order to promote, support, coordinate and monitor the implementation of the provisions of this Policy both at Group level and in its main operating businesses. In order to ensure an adequate supervision of the Telefónica's risk management framework by the Audit

and Control Committee, various sessions are held at that committee, through:

- Overall presentations on the risk management framework and the situation of the main risks, carried out by Internal Audit. Specifically, during 2022, two general presentations on risks have been made to the Audit and Control Committee of Telefónica.
- Specific presentations on the main risks by those responsible for its management. Thus, during 2022, monographic sessions have been held on Strategic Risks, as well as in the areas of Litigation, Compliance, Sustainability, People, Regulation, Cybersecurity, Finance, Tax and T. Tech.

Furthermore, the Audit and Control Committee reports regularly on these matters to the Board of Directors.

 $^{^2}$ The profile of the Directors and their competences in the different matters are detailed in the Annual Corporate Governance Report.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

> Risk Owner

Risk owners actively participate in the risk strategy and in the important decisions about their assurance and control. To this end, each of the identified risks will be assigned a person (normally a Director) with full responsibility for the risk and its management, drawing up a plan for its assurance and control (measures to avoid, mitigate or partially transfer the risks) and effectively monitoring its evolution.

Specifically, with respect to fiscal risks, the Group's Fiscal Directorate performs the fiscal control function through the Regional Fiscal Directorates, and the local fiscal control officers in the different subsidiaries in accordance with the principles defined in the Group's Fiscal Control Policy, approved by the Company's Board of Directors.

3.1.4. Tolerance or risk appetite

The Company has a level of **risk tolerance or acceptable risk** established at corporate level; which means its willingness to assume a certain level of risk, to the extent that it allows the creation of value and the development of the business, achieving an adequate balance between growth, performance and risk.

For the risk assessment, the different typology of the risks that could affect the Company is considered, as described below:

- In general, tolerance thresholds are defined for all risks, including tax risks, by combination of impact and probability of occurrence. These thresholds are updated annually based on the evolution of the main financial figures, both for the Group as a whole and for the main Telefonica companies.
- In the case of risks related to reputation, sustainability, compliance and corruption, a zero-tolerance level is established.

3.1.5. Risk management process

The risk management process takes the Company's strategy and objectives as a reference for the identification of the main risks that could affect its achievement. The process consists of four stages, which are described below:

Risk Management Process



> Risks identification

The risks are identified by the managers, taking into account both the factors that cause them and the effects they may have on the achievement of the objectives.

In this identification phase, risks associated with the strategic plan are considered, as well as potential "emerging risks", meaning those risks that could eventually have an adverse impact on future performance; although its outcome and time horizon is uncertain and difficult to predict.

> Risk assessment

The objective of the risk assessment is to establish an order of magnitude or relevance of the risks, by considering both their eventual impact and their likelihood of occurrence.

For impact purposes, both the **economic impact** (quantified-whenever possible -in terms of operational Cash-flow, considering OIBDA³ plus CAPEX⁴) and the **reputational impact** (from the variables used in RepTrak⁵) are considered, as well as its potential **impact on compliance**.

OIBDA: Operative Income Before Depreciations and Amortizations.

⁴ CAPEX: Capital Expenditure.

⁹ Reptrak: Model developed by the Reputation Institute that allows evaluating how different stakeholders perceive the company.

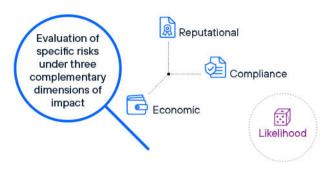


- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Assessment



Other qualitative additional factors are also considered, such as the historical trend, the level of assurance or control; or the perspectives on their future evolution.

> Risk response and action plans against risks

In addition to identification and assessment of the risks, the Risk Management Framework considers reasonable response and monitoring mechanisms for said risks. In this sense, it contemplates procedures to respond to the new challenges that arise through the alignment between the strategic objectives and the risks that could affect the fulfillment of such objectives.

The different types of risk response are described below:

Risk response



Global measures, mainly involving the use of financial derivatives, are undertaken to mitigate certain financial risks such as those relating to exchange-rate and interest-rate fluctuations. In relation to tax risks, the main issues are identified are monitored. Likewise, for a large part of operational risks, the Group uses Multinational insurance Programs, or insurance policies negotiated locally in each country, depending on the type of risk and cover required.

> Monitoring and reporting

In accordance with the different typology of risks, the monitoring and response mechanisms include global initiatives, promoted and coordinated in a homogeneous way in the main operating businesses of the Group, and / or actions specifically aimed at addressing specific risks in some companies at the local level.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

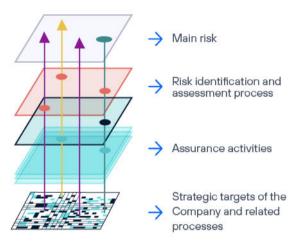
Monitoring and reporting



> Business Assurance Framework

A management framework based on the existing assurance allows prioritizing and being more specific in the actions to be carried out in the area of Risk Management and Internal Control.

Business Assurance framework



3.1.6. Perspectives of the Risk Management Framework

In order to have a comprehensive model, oriented to the needs and the Group's own configuration, the ERM Framework considers a **risk assessment through four complementary perspectives:**

Perspectives of the Risk Management Framework

Top-Down/Bottom-Up Approach



Bottom-up: it is based on the concept of Risk Self-Assessment (RSA), according to which managers are responsible for identifying and describing the specific risks of their area, as well as assessing them and defining an adequate response to them.

Top-down: this assessment is based on the cross-sectional analysis of those matters considered relevant and common to most of the Group's companies, complementing the previous bottom-up approach, thus obtaining a portfolio vision of the main risks of the Company as a whole.

Risks in Processes: support to process managers to identify and define their response to those risks that may affect the achievement of their objectives, with a transversal approach.

Risks in Projects: applicable to those internal projects of special relevance, usually related to transformation initiatives and with a transversal approach.



- 1. Strategy and growth model
- 2. Non-financial Information statement

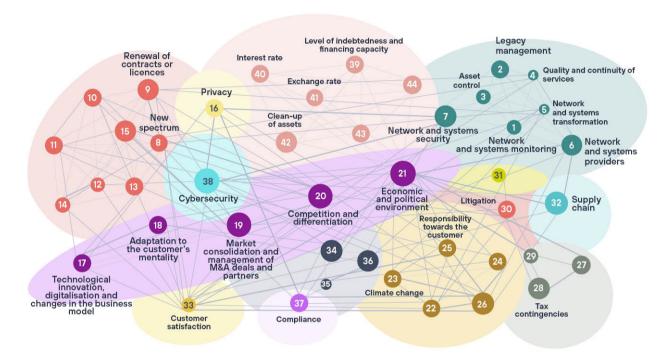
3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3.1.7 Risk interdependence and scenarios analysis

In addition to the individual assessment of each risk, the Telefónica Group considers, within its model, the concept of interdependence. In other words, if a risk materializes, it may have an impact on other risks in the model, thus increasing its criticality. In this regard,

an analysis of the interdependence between the risks of the model is carried out together with the risk management areas, in order to identify those that can potentially have an impact on other risks of the model and to ensure that they are adequately weighted.

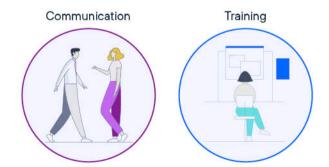


As an example, it can be pointed out the relationship between cybersecurity, supply chain or compliance risks with the economic and political environment, which has been heightened by the conflict between Russia and Ukraine. In addition, this analysis of the interdependence of risks also allows the Company to design stress scenarios that increase, in many ways, the interdependence between the risks of the model when adverse socio-economic situations happens (e.g. COVID, war in Ukraine, supply chain crisis, etc.).

3.1.8. Risk culture

In accordance with the provisions of the Telefónica's Risk Management Policy, one of the basic principles that guide this activity is: "Train and involve employees in the risk management culture, encouraging them to identify risks and actively participate in their mitigation."

In this sense, Telefonica promotes the following actions:





- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information
- Communication: in order to spread, through the appropriate channels, the principles and values that should govern risk management, regular meetings are held with those responsible for the risk.
- Training: to promote knowledge and involvement in the aforementioned values and in the risk management framework, various training actions are carried out, including on line courses on risk management available to Company employees.

Training workshops and global awareness campaigns are developed to strengthen the risk management culture in the Compan

3.1.9. Digitalisation of risk management

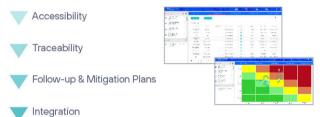
With the aim of managing and supervising risks, Telefonica owned a Risk Management tool, which facilitate the reporting, analysis, assessment and management of risk information within Telefónica Group. These tools are common to all Group Companies that report risks, and their main features are the following:

Continuous improvements are developed in risk management tools to improve or expand their functionalities.





Report, monitoring and analysis of Telefónica Group risks.



Analysis view

Purfil de Riengo

Cambios Referentes

Analysis view

Responding to the Riengo

Cambios Referentes

Analysis view

Responding to the Riengo

Listo Listo Referentes

Analysis view

Responding to the Riengo

Listo Listo Referentes

Analysis view

Responding to the Riengo

Listo Listo Referentes

Analysis view

Responding to the Riengo

Listo Listo Referentes

Analysis view

Responding to the Riengo

Listo Referentes

Responding to the Riengo

Listo Referentes

Analysis view

Responding to the Riengo

Listo Referentes

Responding to the Riengo

Responding to the Riengo

Listo Referentes

Responding to the Riengo

Listo Referentes

Responding to the Riengo

Responding to t



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3.2. Risk map

GRI 3-3

PUNTOS CLAVE



The current context and the dynamic nature of technology and digitization makes us constantly face new risks and opportunities.



When identifying our risks, we also consider those emerging risks that could have an impact on the development of the Company or the sector in the long term.

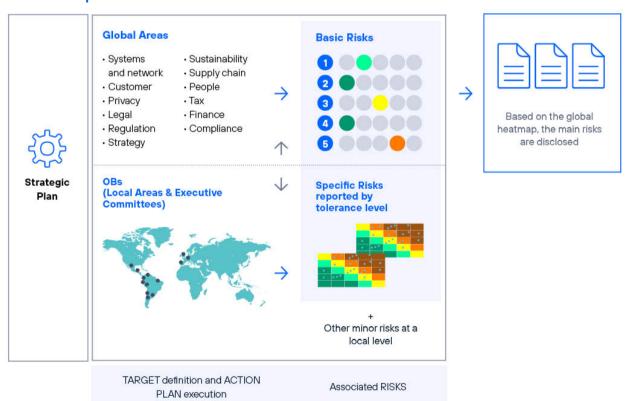


The ESG risks perspective is becoming increasingly relevant considering aspects such as environmental impact, climate change or the respect for human rights in our operations.

Taking as a reference the objectives identified in the Company's Strategic Plan, the risks that could affect the achievement of these objectives are identified, both from a global perspective (main global Group areas) and a local one (local managers and the respective local Steering Committees).

An assessment of the impact and probability of the identified risks is made, which facilitates their prioritization and the definition of the response plans to mitigate them, ensuring the necessary coordination between global and local initiatives in order to face the risks.

Risk Heatmap





- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3.2.1. Telefonica's risk catalogue

In order to facilitate the risk identification process by the management of the Company, the Telefónica Group has a **general risks catalogue**, updated periodically, and which allows the information to be homogenized and

consolidated, and to comply with the internal and external reporting requirements on the main risks.

Telefónica's risk catalogue considers the following four risk **categories:**

Business Risks



Risks related to the sector and especially to the company's strategy, such as adaptation to changing customer demands, technological innovation, competition, regulatory framework, privacy, as well as events that affect the sustainability and reputation of the company.

Operational



Risks derived from events caused by the inadequacy or failures of the network and computer systems, security, customer service, human resources, as well as operational management.

Financial



Risks derived from adverse movements in the economic environment or financial variables, and the inability of the company to meet its commitments or make its assets liquid, including tax issues.

Legal and of normative compliance



Risks related to litigation and regulatory compliance, including compliance with anti-corruption legislation.

This catalogue is updated periodically, taking into account the current dynamic context and the new synergies that have arisen among the risks, with an increasing relevance of those risks related to intangibles and of global significance, such as Sustainability (ESG) aspects and other issues, such as the geopolitical environment, the Ukrainian conflict, supply chain problems, inflation and energy prices.

3.2.2. Main risks from an ESG perspective

Regarding the sustainability topics and the nature of the business, we are exposed to various types of ESG risks (environmental, social and governance).

The Risk Management process takes the Company's strategy and objectives as a reference and basis for identifying the main risks that could affect their achievement, including those emerging risks with a medium and long-term impact, in order to analyze, control and prevent the possible repercussions that the business may suffer. We have taken into account as a reference the identification of global risks performed by the World Economic Forum. Combined with the company's dual materiality study, Human Rights Due Diligence and the expectations of our stakeholders, the company considers risks directly related to sustainability, as well as other risks with potential ESG impact, highlighting those most relevant in the context of Telefónica's operations.

Environmental Risk: Direct or indirect impact on Telefónica's operations due to environmental issues, mainly due to legal requirements during network deployment and operation, as well as future environmental taxes, regulations or fees.

Climate change: Direct or indirect impact on Telefónica's business operations due to the consequences of climate change. Transition risks and physical risks are included.

We follow the recommendations of TCFD (Task Force on Climate-related Financial Disclosures) to analyze and manage both physical and transition risks. We analyzed these medium- and long-term risks for two CO2 concentration scenarios (Representative Concentration Pathways - RCP) 2.6 and 8.5 of the IPCC (UN Intergovernmental Panel on Climate Change). For more details, see chapter 2.2. Energy and climate change.

Human Rights: Risk of possible negative impact of certain human rights as a consequence of the company's activity. This risk may arise both from the company's own activity, with regard to our employees, customers, local communities, etc., as well as the activity carried out by our suppliers on our behalf.

Adaptation to ESG reporting requirements: Risk associated with increased reporting requirements requested by regulators, analysts, investors, customers and other stakeholders to the Group's various legal entities in ESG matters.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Related Risks Sustainability and ESG





For more details, see chapter 2.2 Energy and climate change.

3.2.3 Emerging risks

In the process of **identifying new risks**, Telefónica also considers **emerging risks**.

Emerging risks are those issues identified recently and which are expected to have an adverse impact on the future development of the company or the sector in the long term; although its outcome and time horizon is still uncertain and difficult to predict.

As **emerging risks to consider in a long-term scenario**, the following should be highlighted:



Cybercrime sophistication



Technological changes, Al and data ethic



Climate change



Geopolitical context

- Cybercrime sophistication:
 - Risk Description: The increasing supply chain dependency, the proliferation of Cloud and IoT environments, along with the adoption by criminals of emerging technologies such as machine learning and artificial intelligence, could lead to an increase in the sophistication of cybercrime.

- Impact: May potentially result in damage to the Group's operations, image and/or business, but may also impact Group customers or third parties, including, but not limited to: incidents affecting privacy, cases of fraud, data theft, and cyberespionage.
- Mitigation actions: The main actions already adopted by the Telefónica Group to mitigate general cybersecurity risks are: early vulnerabilities detection, access control measures, proactive log review of critical systems, network segregation in zones and the deployment of protective systems such as firewalls, intrusion prevention systems and virus scanners among other physical and logical security measures. In particular, to mitigate the emerging risk caused by the possible increase in the sophistication of cybercrime, the Telefónica Group is focusing on the following aspects:
 - Adoption of zero trust models (ZeroTrust and ZTNA).
 - Ensuring the security of cloud services.
- Monitoring of cyber-attacks complemented with cyber intelligence activities.
- · Digital security controls in the supply chain.
- Cybersecurity training and awareness activities for users.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

In the event that these activities do not prevent damage to systems or data, there are backup systems designed for total or partial recovery of information, as well as insurance programs and coverage that include cyber risks.

For further information, please refer to the section "Information technology is a relevant element of our business and is exposed to cybersecurity risks" in chapter 3.3 Risk Factors.

• Technological changes, Al and data ethics:

- Risk description: risk related to the possible consequences derived from continuous technological progress, on people, companies, ecosystems and/or economies. Mainly, those related to data ethics and governance, or those that could affect the fundamental rights of users of artificial intelligence systems managed by the company.
- Impact: If the Company were not able to anticipate and adapt to changes and trends in the sector, or adequately select the investments to be made, this could negatively affect the Group's business, financial situation, operating results and/or cash flows.
- Mitigation actions: We consider that security must be managed within a cycle of continuous improvement, and with this aim various actions associated with privacy and security are being developed (see section 2.19 Privacy and Security). Regarding the new responsible design framework, ethical principles and sustainable development criteria are incorporated in new digital solutions (see section 2.12 Responsibility in our products and services). Various actions are also described for the safe and responsible use of technology (see section 2.10 Digital inclusion) and in Human Rights (see 2.15.6 Telefónica's due diligence in Human Rights).

Climate change:

Risk description: risks mainly from the transition to a
decarbonized economy (regulatory, technological,
market and reputational risks), due to the tightening
of measures to limit Greenhouse Gas (GHG)
emissions to the atmosphere or adaptation to climate
change e.g. due to resource scarcity.

- Impact: The main impacts that these risks may have on the company are mainly in the medium and long term. These impacts can be translated mainly into an increase in operating costs due to the possibility of new carbon taxes that affect us directly or indirectly, for example by increasing the price of energy or carbon offset credits. There may also be a potential reputational impact associated with increased demands from different stakeholders for us to meet or increase our climate commitments.
- Mitigation actions: Within Telefonica's climate change risk analysis, we include this type of risk (transition risk). For its evaluation we use the IEA NZE 2050 scenario, which describes the efforts needed to reduce Greenhouse Gases and reach net zero emissions by 2050 globally. Likewise, having long-term renewable energy purchase agreements in place not only guarantees us an emission-free electricity supply, but also provides us with a fixed price that protects us against possible price increases due to new rates or market changes. More information in the 2.2 Energy and climate change chapter.

· Geopolitical context:

- Risk description: Risks associated with the
 uncertainty and deterioration of the economic
 environment due, for example, to geopolitical factors,
 pandemics, war conflicts, inflationary environment
 (global increase in the costs of energy, raw materials,
 etc.), as well as the socio-political situation of each
 country, which affect the development of operations
 and, therefore, in the economic results.
- Impact: Telefónica's international presence enables the diversification of its activities across countries and regions, but it exposes Telefónica to diverse legislation, as well as to the political and economic environments of the countries in which it operates. Any adverse developments in this regard, including exchange rate or sovereign-risk fluctuations, and the growing geopolitical tensions, may adversely affect Telefónica's business, financial position, cash flows and results of operations and/or the performance of some or all of the Group's financial indicators.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

 Mitigation actions: Continuous monitoring of macro and market conditions, financial flexibility of the Group and coverage of established commitments, maintenance of optionality in those markets that are not considered core, reinforcement of cybersecurity and data protection measures.

Additionally, other emerging risks are managed in Telefónica, such as the management of professional skills and corporate culture, in line with what is described below:

 Managing skills for the future and corporate culture: The need to acquire, retain and evolve the skills necessary to execute the Company's strategic plan, in an environment of technological disruption, dynamic working conditions and critical skills shortages in the market. With an increasing percentage of professionals working remotely, levels of employee disconnection from organizations are on the rise. This presents a challenge for companies to maintain, improve and control their organizational culture, aligned with their purpose and values. Finally regarding mitigation actions, they can be seen in more detail in section 2.5 Human Capital.

3.2.4. Risks and Opportunities

We are a technological company that is at the heart of the digital revolution that we are experiencing, the telecommunications and technology market has been able to play a determining role, much more dynamic, which has placed the sector as one of the main economic engines in the new societies. The demand for technology is increasing, and there has been an increasing impact of digitization on all sectors of the economy and on people's lives

For the telecommunications sector in general and for Telefónica in particular, there are opportunities based on:



Investment in fixed (fiber) and mobile ultrabroadband infrastructures (with the launch of 5G)



Acceleration of movements towards the digitalisation of all sectors of our economy as an engine of development



Openverse and new business models for connectivity



Improving market conditions and regulation in the Telecommunication s sector



Growing Relevance of ESG aspects

 Investment in fixed (Fibre) and mobile ultrabroadband infrastructures (with the launch of 5G)

The imminent access of companies to new fixed (fibrebased) and mobile ultra-broadband alternatives (with the boost of 5G in the coming years) configure a future scenario based on connectivity, which implies an exponential growth in the number of connected objects and data traffic, as well as in digital services over said connectivity.

Specifically, the firm commitment to investment in fixed and mobile ultra-broadband infrastructures led by Telefónica in its markets is the basis on which to build the economy of the future.

We are aware that broadband is a strategic pillar to accelerate progress in achieving the Sustainable Development Goals (SDGs) and the basis for the development of new digital services that allow improving education, facilitating access to health or addressing climate change.

 Acceleration of movements towards the digitization of all sectors of our economy (education, health, entertainment, commerce, industry, etc.) as an engine of development

The telecommunications industry plays a key role for societies, as a connectivity supplier and an enabler of technological advances, collaborating in the evolution towards a more digital and sustainable world:

In the sphere of corporations (companies of all sizes and public administrations), there has been a strong acceleration of the movement towards the digitization of the main functions, in order to meet more quickly the demands of their customers. Telefónica is strongly committed to growth in this sector through T-Tech, our unit specialized in business solutions offering the most demanded services by companies (Cloud Computing, Cybersecurity, Internet of Things, Big Data).



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

For our residential customers, technology can offer a new world of possibilities, driving new solutions, services and increasingly innovative content that allow us to connect people's lives. During the last year we have witnessed a substantial increase in the use of digital services for entertainment, remote work, health, etc. In this sense, we offer new ecosystems of relevant digital services for our customers, in certain sectors (Movistar Money for financial services, Movistar Salud or Vida V for telemedicine, Movistar Prosegur Alarms for security, etc.).

· Openverse and new connectivity business models

The deployment, management and operation of next-generation networks is increasingly being done from a software platform. This allows operators to implement new business models to monetize their networks not only with end customers, but also by offering network capabilities to external developers.

In addition, networks have been incorporating new technologies that allow them to develop innovative services and build new business models based on them (Network as a Service, Edge, Netowrk Slicing, etc.).

All this creates the opportunity to re-differentiate connectivity based on its quality, allowing telecommunications companies to create differentiated offers based on the needs of developers or end customers. To capture the opportunity of these new businesses, operators will need to become orchestrators of all of the above elements (networks, platforms, developers, end customers).

Improving market conditions and regulation of the Telco sector

The deflationary situation in the telecommunications sector, coupled with the increase in the number of players, especially in Europe, and the debate surrounding the contribution of the largest traffic generators to network investment, may be the levers that promote the revision of the regulatory framework to adapt it to the new needs of the sector.

· Growing relevance of Sustainability aspects (ESG)

In a context of stringent environmental regulations, the transition to a greener economy represents an opportunity for Telefónica, specifically due to the positive impact of telecommunications products and services on our customers' processes, allowing companies to save on CO2 emissions, optimize its operations, reduce waste and improve its carbon footprint.

Likewise, sustainable financing contributes to Telefónica's decarbonization strategy and its objectives to reduce emissions and energy consumption. IoT services allow more efficient use of resources such as energy and water; with Big Data we are helping to improve traffic planning and air quality; and with drone-based services and connectivity, we can improve the response to fires.

3.2.5. Materialized risks

The Company tracks materialized risks. The strategy and management of Telefónica Group's activities tend to minimize the impact of materialized risks, as well as to counterbalance the negative effects of some issues with the favourable evolution of others.

During the year, Russia's invasion of Ukraine, the energy crisis, inflationary pressures, and the rising interest rates, among other factors, have affected various areas and operations of the Company, the most important aspects and their impact being highlighted in section 3.3 Risk Factors.

In this regard and in accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the need to introduce changes to the book value of its goodwill, investments accounted for by the equity method, deferred tax assets, or other assets, such as intangible assets, and property, plant and equipment. In the case of goodwill, the potential loss of value is determined by the analysis of the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated at the time it is originated, and such calculation requires significant assumptions and judgment. In 2022 impairment losses in other assets of Telefónica Argentina were recognized for a total of 77 million euros.

In addition, Telefónica may not be able to realize deferred tax assets on its statement of financial position to offset future taxable income. The recoverability of deferred tax assets depends on the Group's ability to generate taxable income over the period for which the deferred tax assets remain deductible. If Telefónica believes it is unable to utilize its deferred tax assets during the applicable period, it may be required to record an impairment against them resulting in a non-cash charge on the income statement.

Further impairments of goodwill, deferred tax assets or other assets may occur in the future which may materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3.2.6. Prioritization of Risks

The risks of Telefónica Group are prioritized based on their level of criticality, which is obtained from the combination of impact and likelihood assessments for each of them.

For public disclosure purposes, Telefonica's risks are presented under four categories, as described above,

presenting the risk factors in descending order of importance within each category, in line with the requirements of ESMA (European Securities and Markets Authority).

The detail on the main risk factors disclosed by the Company is included in the following section.

Prioritisation of risks



- 1 Competition and market consolidation
- 2 Government concessions, licenses and use of spectrum
- 3 Supply chain
- 4 Technological changes
- 5 Privacy
- Adaptation to changing customer demands and / or new ethical or social standards
- Oybersecurity risks
- 8 Climate change, natural disasters and other factors may result in unanticipated network or service interruptions or quality loss
- Seconomic and political environment
- 10 Impairment of goodwill, deferred tax assets or other assets
- 11 Levels of financial indebtedness, Group's ability to finance itself, and its ability to carry out its business plan
- 12 Foreign currency exchange rates and interest rates
- Lawsuits, antitrust, tax claims and other legal proceedings
- Compliance with ESG expectations, objectives and regulation
- 15 Compliance with anti-corruption laws and regulations and economic sanctions programmes



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

3.3. Risk Factors

The Telefónica Group's business is affected by a series of risk factors that affect exclusively the Group, as well as a series of external factors that are common to businesses of the same sector. The main risks and uncertainties faced by Telefónica, which could affect its business, financial condition, results of operations and/or cash flows are set out below and must be considered jointly with the information set out in the rest of this Annual Report.

These risks are currently considered by the Telefónica Group to be material, specific and relevant in making an informed investment decision in respect of Telefónica. However, the Telefónica Group is subject to other risks that have not been included in this section based on the Telefónica Group's assessment of their specificity and materiality based on the Telefónica Group's assessment of their probability of occurrence and the potential magnitude of their impact. The assessment of the potential impact of any risk is both quantitative and qualitative considering, among other things, potential economic, compliance, reputational and environmental, social and governance ("ESG") impacts.

The Telefónica Group, taking into account the global risks identified by the World Economic Forum, as well as the increase in legal information requirements and the expectations of stakeholders in this area, monitors risks directly related to sustainability, as well as other risks with potential impact on ESG, highlighting those most relevant in the context of Telefónica's operation, including the adaptation to ESG expectations and information requirements and climate change.

Risks are presented in this section grouped into four categories: business, operational, financial, and legal and compliance.(according to the definitions included in section 3.2. above).

These categories are not presented in order of importance. However, within each category, the risk factors are presented in descending order of importance, as determined by Telefónica at the date of this Annual Report. Telefónica may change its vision about their relative importance at any time, especially if new internal or external events arise.

Risks Related to Telefónica's Business Activities.

Telefónica's competitive position in some markets could be affected by the evolution of competition and market consolidation.

The Telefónica Group operates in highly competitive markets and it is possible that the Group may not be able to market its products and services effectively or respond successfully to the different commercial actions carried out by its competitors, causing it to not meet its growth and customer retention plans, thereby jeopardizing its future revenues and profitability.

The reinforcement of competitors, the entry of new competitors (either new players or providers of OTT Services), or the merger of operators in certain markets (for example, market consolidation in the United Kingdom following a potential merger of mobile operators Vodafone UK and Three UK), may affect Telefónica's competitive position, negatively affecting the evolution of its revenues and market share or increasing its costs. In addition, changes in competitive dynamics in the different markets in which the Telefónica Group operates, such as in Chile, Colombia, Peru, Mexico and Argentina, where there are aggressive customer acquisition offers, including unlimited data and discounts on certain services, among others, can affect the competitive position and the efficiency of Telefónica's operations.

If Telefónica is not able to successfully face these challenges, the Group's business, financial condition, results of operations and/or cash flows could be adversely affected.

The Group requires government concessions and licenses for the provision of a large part of its services and the use of spectrum, which is a scarce and costly resource.

The telecommunications sector is subject to laws and sector-specific regulations. The fact that the Group's business is highly regulated affects its revenues, operating income before depreciation and amortization ("OIBDA") and investments.

Many of the Group's activities (such as the provision of telephone services, Pay TV, the installation and operation of telecommunications networks, etc.) require licenses,



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

concessions or authorizations from governmental authorities, which typically require that the Group satisfies certain obligations, including minimum specified quality levels, and service and coverage conditions. If the Telefónica Group breaches any of such obligations, it may suffer consequences such as economic fines or other measures that would affect the continuity of its business. In addition, in certain jurisdictions, the terms of granted licenses may be modified before the expiration date of such licenses or, at the time of the renewal of a license, new enforceable obligations could be imposed or the renewal of a license could be refused.

Additionally, the Telefónica Group could be affected by the regulatory actions of antitrust authorities. These authorities could prohibit certain actions, such as new acquisitions or specific practices, create obligations or impose heavy fines. Any such measures implemented by the antitrust authorities could result in economic and/or reputational loss for the Group, in addition to a loss of market share and/or harm to the future growth of some of its businesses.

Any of the foregoing could have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Access to new concessions/licenses of spectrum.

The Group requires sufficient spectrum to offer its services. The Group's failure to obtain sufficient or appropriate spectrum capacity in the jurisdictions in which it operates, or its inability to assume the related costs, could have an adverse impact on its ability to maintain the quality of existing services and on its ability to launch and provide new services, which may materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

The intention of the Group is to maintain current spectrum capacity and, if possible, to expand it, through the participation of the Group in spectrum auctions which are expected to take place in the next few years, which will likely require cash outflows to obtain additional spectrum or to comply with the coverage requirements associated with some of the related licenses.

In Spain, the Ministry of Economic Affairs and Digital Transformation launched a public consultation on the National Frequency Allocation Table, raising the possibility of making available 450 MHz of the 26 GHZ spectrum band, to companies, industries and organizations operating in a specific sector, that deploy private networks to support their connectivity needs (verticals). This could mean more competition in the private corporate network segment.

In the UK, in May 2022, the Office of Communications ("Ofcom") launched a public consultation on opening access to the 26 GHz and 40 GHz bands for mobile use. This is the first of a series of detailed consultations on the

award, with a process possible towards the end of 2024 at the earliest. The consultation outlines the proposal to offer a range of local and city-wide licenses, differentiating between low- and high-density areas.

In Latin America, several auction processes are expected in the near term: (i) in Colombia, in December 2022, the Ministry of Information Technologies and Communications ("MinTIC") asked the industry to express their interest in participating in a possible auction for the spectrum that remains available in the 700 MHz, 1900 MHz and 2500 MHz bands as well as for 5G spectrum (3.5 GHz and 26 GHz bands). In such expression of interest, which is non-binding, Telefónica expressed its interest in obtaining spectrum in all the proposed bands except 26GHz. In its expression of interest Telefónica also highlighted the need to delay all spectrum auctions until the review on the spectrum pricing methodology currently underway is completed, and there is an alignment between spectrum cost and its value generation capacity, and until measures to avoid an excessive control of this resource by the dominant operator are defined. To date, no specific dates have been proposed for an eventual spectrum auction; (ii) in Peru, the authorities have indicated their interest in resuming the auction on the 1750 – 1780 MHz, 2150 – 2180 MHz and 2300 - 2330 MHz bands, but no specific date or conditions have been set for it. With regards to 5G and the spectrum auction for the 3.5 GHz and 26 GHz band, the government has not yet taken a decision; and (iii) in Argentina, the government has made public its intention to auction 5G spectrum in 2023, but no specific date for the process has been published. Pursuant to Resolution 2385/2022 published on December 28, 2022, the Ente Nacional de Comunicaciones (Enacom) approved the General Rules for Intelligent and Reliable Telecommunications Services that preliminarily sets the conditions for the implementation of 5G in Argentina; iv) in Uruguay on December 28, 2022 the Executive Power signed the decree authorizing an auction process for the 3.5 GHz band to occur in the first quarter of 2023.

Existing licenses: renewal processes and modification of conditions for operating services.

The revocation or failure to renew the Group's existing licenses, authorizations or concessions, or any challenges or amendments to their terms, could materially adversely affect Telefónica's business, financial condition, results of operations and/or cash flows.

In Spain, and in accordance with the new Telecommunications Act (second transitory provision), Telefónica requested the Administration to extend the duration of its spectrum licenses up to a maximum of 40 years.

In Germany, in the allocation procedure for the frequencies at 800 MHz, 1800 MHz and 2.6 GHz, which will partially expire at the end of 2025, the Bundesnetzagentur has submitted a position paper for



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

consultation as a follow-up to the consultation of orientation points which were connected with an initial survey of demand. In the position paper, it considers a spectrum scarcity to be obvious and is considering an auction as the award format. In order to reflect the importance of the 800 MHz band for mobile coverage, the Bundesnetzagentur proposes a swap in the term of the frequencies to be awarded at 800 MHz with an equal amount of 900 MHz frequencies. The frequencies at 900 MHz, 1800 MHz and 2.6 GHz would then be auctioned off. The frequencies at 800 MHz would have a term until the end of 2033. Next steps in the spectrum allocation procedure in the form of cornerstones and a formal demand survey are expected in the first half of 2023.

In the UK, mobile spectrum licenses are generally indefinite in term, subject to an annual fee after a fixed period (usually 20 years) from the initial auction. There are no fee decisions now pending until 2033, when the fixed term for VMO2's 800 MHz licenses will expire.

With respect to Latin America:

In Brazil, the Agencia Nacional de Telecomunicações ("ANATEL") approved on February 8, 2021, Resolution 741/2021 which sets the Regulation for the Adaptation of Fixed Commuted Telephony Service ("STFC") concessions. ANATEL has presented an estimated value for calculating the migration balancing from the concession to the authorization regime, which will be validated by the Federal Court of Accounts. There is a risk that consensus between the parties on the migration calculation may not be reached. In any case, if a decision is made by Telefónica not to migrate, the STFC concession held by Telefónica will remain in force until December 31, 2025. In addition, Resolution 744/2021 of April 8, 2021 (the "Continuity Regulation") establishes that, at the end of the life of the concession contracts, the transfer of the right of use of shared-use assets will be guaranteed under fair and reasonable economic conditions, in the event that the granting authority or the company that succeeds the provider wishes to make use of these assets to maintain the continuity of the provision of STFC under the public regime. In relation to the process that is being carried out before the Federal Court of Accounts, the technical area of the Court proposed the revision of the Continuity Regulation's terms so that it provides for the reversion, to the concessionaires, of the assets used in the provision of STFC. This proposal is still subject to deliberation by the Plenary of the Federal Court of Accounts.

In addition, on December 8, 2022, ANATEL revoked Telefónica's 450 MHz spectrum authorization (451-458 MHz and 461-468 MHz) covering the states of Alagoas, Ceará, Minas Gerais, Paraíba, Pernambuco Piauí, Rio Grande do Norte, Sergipe and part of São Paulo. The decision was motivated by the fact that Telefónica could not provide evidence of service activation in the 450 MHz band as a result of the unavailability of a 450 MHz devices

ecosystem. The revocation of the spectrum license does not impact the services currently provided by Telefónica.

Furthermore, regarding the extension of the 850 MHz band authorizations, if the legal and regulatory requirements are met, ANATEL agreed to extend the current authorizations for the use of radio frequencies in Bands A and B, proposing their approval, on a primary basis, until November 29, 2028. However, specific conditions for renewal, including those related to the economic valuation criteria and obligations, were challenged by the affected service providers (including Telefónica). After ANATEL dismissed the appeals filed by the providers, ANATEL referred the case to the federal court of accounts of Brazil ("TCU"), and in September 2022, TCU decided that the possibility of successive extensions brought by Law 13.879/19 should be considered as an exception, applicable only when certain requirements are met (art. 167 of Law 13.879/19 and article 12 of decree 10.402/20). Telefónica appealed that decision, defending the successive extension of licenses as a rule and not as an exception, in accordance with Law 13.879/19. Additionally, in August 2022, when deciding on an extension request made by the provider TIM for the 850 MHz, 900 MHz and 1.8 GHz bands, ANATEL issued a decision for the possibility of extending the 900 MHz and 1.8 GHz bands only until 2032, when the Agency intends to carry out a refarming action of these bands. This decision may impact Telefónica's extension requests for the aforementioned bands.

In Peru, an arbitration process was started by Telefónica, to challenge the decision adopted by the Ministry of Transportation and Communications ("MTC"), denying the renewal of concessions for the provision of fixed-line services, valid until 2027, which ended with a favorable award for Telefónica. The award recognizes that the methodology applied to assess compliance with the concession obligations in the concession renewal process was not in accordance with the provisions of the concession contract. The MTC, following this award, must issue a new regulation for renewals in a period of time yet to be determined. Nevertheless, Telefónica del Perú S.A.A. holds other concessions for the provision of fixedline services that allow it to provide these services beyond 2027. The renewal of the 1900 MHz band in all of Peru, except for Lima and Callao, which expired in 2018, and of other licenses to offer telecommunications services were requested by the Group and a decision by the MTC is still pending. Nevertheless, these concessions are valid while the procedures are in progress.

In Colombia, in 2023, Telefonica will have to renew 30 MHz of spectrum in the AWS band. The spectrum renewal process has not been initiated.

In Argentina, in connection with Decree of Necessity and Urgency 690/2020 ("DNU 690/2020"), Telefónica de Argentina, S.A. and Telefónica Móviles Argentina, S.A. (collectively, "Telefónica Argentina") filed a lawsuit against the Argentine State, in relation to a series of



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

contracts for licenses to provide services and spectrum use authorizations entered into between Telefónica Argentina and the Argentine State, including the licenses resulting from the 2014 spectrum auction. These contracts and their regulatory framework stated that the services provided by Telefónica Argentina were private and prices would be freely set by Telefónica Argentina. However, DNU 690/2020, by providing that the services will be "public services" and that prices will be regulated by the Argentine State, substantially modifies the legal status of those contracts, affecting the compliance with their obligations and substantially depriving Telefónica Argentina of essential rights derived from those contracts. The lawsuit filed by Telefónica Argentina was rejected in September 2021 and Telefónica Argentina appealed this decision. On December 17, 2021, the first instance ruling was revoked and the application of articles 1, 2, 3, 5 and 6 of DNU 690/2020 and Resolutions 1666/2020, 204/2021 and 1467/2020 (relating to the control of tariffs and the universal basic service) was suspended for six months or until the final decision is adopted. On June 10, 2022, the Federal Contentious Administrative Court extended the precautionary suspension of the effects of DNU 690/2020 for an additional six months in Telefónica's favor. On December 27, 2022, the Federal Contentious Administrative Court extended the precautionary suspension of the effects of DNU 690/2020 for another six months in Telefónica's favor. During this period, Telefónica Argentina will not be subject to the provisions contained in the DNU 690/2020 in relation to price and public service regulations.

In Ecuador, Telefónica will seek to renew in 2023 the concession contract that authorizes the provision of telecommunication services and includes the spectrum licenses (25 MHz in the 850 MHz band and 60 MHz in the 1900 MHz band).

During 2022, the Group's consolidated investment in spectrum acquisitions and renewals amounted to 173 million euros, mainly due to the acquisition of spectrum in Colombia (compared to 1,704 million euros in 2021, mainly due to the acquisition of spectrum in Brazil and the United Kingdom, and to 126 million euros in 2020). In the event that the licenses mentioned above are renewed or new spectrum is acquired, it would involve additional investments by Telefónica.

Further information on certain key regulatory matters affecting the Telefónica Group and the concessions and licenses of the Telefónica Group can be found in Appendix VI of the Consolidated Financial Statements.

Telefónica could be affected by disruptions in the supply chain or international trade restrictions, or by the dependency on its suppliers.

The existence of critical suppliers in Telefónica's supply chain, especially in areas such as network infrastructure, information systems or handsets with a high concentration in a small number of suppliers, poses risks that may affect Telefónica's operations. In the event that a participant in the supply chain engages in practices that do not meet acceptable standards or does not meet Telefónica's performance expectations (including delays in the completion of projects or deliveries, poor-quality execution, cost deviations or reduced output due to the suppliers own stock shortfalls), this may harm Telefónica's reputation, or otherwise adversely affect its business, financial condition, results of operations and/or cash flows. Further, in certain countries, Telefónica may be exposed to labor contingencies in connection with the employees of such suppliers.

As of December 31, 2022, the Group depended on three handset suppliers (none of them located in China) and seven network infrastructure suppliers (two of them located in China), which, together, accounted for 81% and 80%, respectively, of the aggregate value of contracts awarded in the year ended December 31, 2022 to handset suppliers and network infrastructure suppliers, respectively. One of the handset suppliers represented 40% of the aggregate value of contracts awarded in the year ended December 31, 2022 to handset suppliers.

If suppliers cannot supply their products to the Telefónica Group within the agreed deadlines or such products and services do not meet the Group's requirements, this could hinder the deployment and expansion plans of the network. This could in certain cases affect Telefónica's compliance with the terms and conditions of the licenses under which it operates, or otherwise adversely affect the business and operating results of the Telefónica Group. In addition, the possible adoption of new protectionist measures in certain parts of the world, including as a result of trade tensions between the United States and China, and/or the adoption of lockdown or other restrictive measures as a result of the COVID-19 pandemic or any other crisis or pandemic, as well as those derived from geopolitical tensions such as the current war in Ukraine, could disrupt global supply chains or may have an adverse impact on certain of Telefónica's suppliers and other players in the industry. The semiconductor industry in particular is facing various challenges, as a result mainly of supply problems at a global level, which in turn is affecting multiple sectors (including technology) through delivery delays and price increases, which could affect the Telefónica Group or others who are relevant to its business, including its customers, suppliers and partners. During 2020, 2021 and 2022 a specific monitoring has been carried out and action plans have been developed by the Group with respect to the supply chain challenges resulting from the COVID-19 pandemic, the armed conflict in Ukraine as well as the potential discontinuation of use of some suppliers as a result of tensions between the United States and China.

The imposition of trade restrictions and any disruptions in the supply chain, such as those related to international transport, could result in higher costs and lower margins or affect the ability of the Telefónica Group to offer its



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

products and services and could adversely affect the Group's business, financial condition, results of operations and/or cash flows.

Telefónica operates in a sector characterized by rapid technological changes and it may not be able to anticipate or adapt to such changes or select the right investments to make.

The pace of innovation and Telefónica's ability to keep up with its competitors is a critical issue in a sector so affected by technology such as telecommunications. In this sense, significant additional investments will be needed in new high-capacity network infrastructures to enable Telefónica to offer the features that new services will demand, through the development of technologies such as 5G or fiber.

New products and technologies are constantly emerging that can render products and services offered by the Telefónica Group, as well as its technology, obsolete. In addition, the explosion of the digital market and the entrance of new players in the communications market, such as mobile network virtual operators ("MNVOs"), internet companies, technology companies or device manufacturers, could result in a loss of value for certain of the Group's assets, affect the generation of revenues, or otherwise cause Telefónica to have to update its business model. In this respect, revenues from traditional voice businesses are shrinking, while new sources of revenues are increasingly derived from connectivity and digital services. Examples of these services include video, Internet of Things (IoT), cybersecurity, big data and cloud services.

One of the technologies currently being developed by telecommunications operators, including Telefónica (in Spain and Latin America), is the new FTTx type networks which allow the offering of broadband accesses over fiber optics with high performance. However, the deployment of such networks, in which the copper of the access loop is totally or partially replaced by fiber, requires high levels of investment. As of December 31, 2022, in Spain, fiber coverage reached 28.0 million premises. There is a growing demand for the services that these new networks can offer to the end customer. However, the high levels of investment required by these networks result in the need to continuously consider the expected return on investment, and no assurance can be given that these investments will be profitable.

In addition, the ability of the Telefónica Group's IT systems (operational and backup) to adequately support and evolve to respond to Telefónica's operating requirements is a key factor to consider in the commercial development, customer satisfaction and business efficiency of the Telefónica Group. While automation and other digital processes may lead to significant cost savings and efficiency gains, there are also significant risks associated with such transformation processes. Any failure by the Telefónica Group to develop or implement

IT systems that adequately support and respond to the Group's evolving operating requirements could have an adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

The changes outlined above force Telefónica to continuously invest in the development of new products, technology and services to continue to compete effectively with current or future competitors. Any such investment may reduce the Group's profit and margins and may not lead to the development or commercialization of successful new products or services. To contextualize the Group's total research and development effort, the total expenditure in 2022 was 656 million euros (835 million euros in 2021, with the yearon-year change being impacted by deconsolidation of the entities that comprised our former Telefónica United Kingdom segment in June 2021, and 959 million euros in 2020) representing 1.6% of the Group's revenues (2.1% and 2.2% in 2021 and 2020, respectively). These figures have been calculated using the guidelines established in the Organization for Economic Co-operation and Development ("OECD") manual.

If Telefónica is not able to anticipate and adapt to the technological changes and trends in the sector, or to properly select the investments to be made, this could negatively affect the Group's business, financial condition, results of operations and/or cash flows.

The Telefónica Group's strategy, which is focused on driving new digital businesses and providing data-based services, involves exposure to risks and uncertainties arising from data privacy regulation.

The Telefónica Group's commercial portfolio includes products and/or services which are based on the use, standardization and analysis of data, as well as the deployment of advanced networks and the promotion of new technologies related to Big Data, cloud computing, cybersecurity, Artificial Intelligence and IoT.

The large amount of information and data that is processed throughout the Group (related to approximately 383.1 million accesses associated with telecommunications services, digital products and services and Pay TV as of December 31, 2022 and an average number of employees of 102,563 in 2022), increases the challenges of complying with privacy regulations. Moreover, there is a risk that measures adopted in response to these regulations may stifle innovation. Conversely, the Group's efforts to promote innovation may result in potential increased compliance privacy risks and, where applicable, costs.

Telefónica is subject to Regulation (EU) 2016/679 of the European Parliament and Council of April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR"), whose content has become the common standard for all countries where the Telefónica



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Group operates. In addition, progress continues to be made on the proposal for a future European regulation concerning the respect for privacy and protection of personal data in electronic communications ("e-Privacy Regulation"), which would repeal Directive 2002/58/EC. If approved, this proposal could establish additional and more restrictive rules than those established in the GDPR, with the consequent increase in the risks and costs that this could entail for Telefónica.

Moreover, considering that the Telefónica Group operates its business on a global scale, it frequently carries out international data transfers concerning its customers, users, suppliers, employees and other data subjects to countries outside the EEA that have not been declared to have an adequate level of data protection by the European Commission, either directly or through third parties. In this context, it is particularly relevant to have the necessary controls in place to ensure that such international data transfers are carried out in accordance with the GDPR, in an environment marked by uncertainty on this issue as to the adequate and effective measures to mitigate such risks.

One of the relevant contractual measures to ensure the lawfulness of international data transfers to any country outside the EEA not found by the European Commission to have an adequate level of data protection, is the signing, between the data importer and the data exporter, of the new standard contractual clauses ("SCC") approved by the European Commission according to Implementing Decision (EU) 2021/914 of June 4, 2021. These new SCC, which entered into force on June 27, 2021, repeal the old SCC and include a modular set of clauses for their application according to the data processing role of both the exporter and the importer. Furthermore, the entry into force of the new SCC obliges companies that are going to use them for their transfers to assess and adopt additional measures deemed appropriate for the due protection of the data transferred to the third country. This is because SCC, in general, according to the Court of Justice of the European Union (CJEU), are not sufficient for this purpose, as the public authorities of the third country, in accordance with their local regulations, may have the power to access or request access to the data transferred. The additional measures to be adopted are mainly technical such as data encryption and derive in particular from the impact analysis of each transfer and the country of destination, all following the guidelines issued by the European Data Protection Board in its Recommendations 01/2020. Furthermore, the adoption of the new SCC by the European Commission as the main legal tool for transfers, obliges companies to replace the old SCC, as the old SCC ceased to be legally valid at the end of 2022 in accordance with the aforementioned Implementing Decision. The implementation of the new SCC and their module structure and dispositive parts, which need to be negotiated between data exporters and importers, the obligation to assess and analyze each international

transfer, the changing nature of the local regulations of the countries of destination, as well as the obligation to renew all agreements that include the old SCC, pose a challenge for the Group and, with it, a potential risk of non-compliance in the performance of international data transfers in accordance with the GDPR.

With regard to the international data transfer to the United States of America, on October 7, 2022, the U.S. President signed an executive order directing the steps that the United States will take to implement the U.S. commitments to improve the European Union-U.S. Data Privacy Framework in light of the judgment of the CJEU C-311/18. In connection with this U.S. initiative, the European Commission published in December 2022 a draft adequacy decision that would facilitate the transfer of data to the United States of America, which, like its predecessors, the International Safe Harbor Privacy Principles and the EU-U.S. Privacy Shield, is based on a self-regulatory approach, whereby U.S. companies that undertake to comply with the principles set out in the Privacy Framework will be able to self-certify as "adequate undertakings". They will thus be able to import data from the EU to the U.S. if they commit to providing an adequate level of protection to the data transferred.

While this represents an improvement in the regulatory landscape for international data transfers and the risks associated with them, the approval of this new adequacy decision for the United States is subject to the non-binding review by the European Data Protection Committee and the Civil Liberties Committee of the European Parliament, as well as the mandatory and binding approval by the Member States in the Council, which is not expected to occur until mid-2023.

In addition, the United Kingdom's exit from the European Union on January 1, 2021 means that the Group must monitor how its operations and business in the United Kingdom are affected in terms of applicable privacy regulations and, specifically, the flow of data to and from the United Kingdom. The European Commission declared the United Kingdom as a country with an adequate level of data protection according to the Adequacy Decision of June 28, 2021. Accordingly, entities that transfer data between both territories will not be required to adopt additional tools or measures for international transfers. The Adequacy Decision establishes an initial period of validity of four years, which may be extended only if the United Kingdom demonstrates that it continues to ensure an adequate level of data protection. In this regard, since European Union regulations no longer apply in the United Kingdom, the UK government has published a draft reform of its local privacy and data protection regulations in June 2022, which, if it finally passes through parliamentary procedures and is approved, aims to update these regulations to address new technological challenges and business opportunities in the use of data. The result and approval of this amendment could impact the Telefónica Group's business in the United Kingdom and the



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

aforementioned international data transfers to and from the United Kingdom, either because additional regulatory restrictions or impositions are imposed that reduce the capacity for innovation and the development of new services and products, or because the European Union authorities consider that the United Kingdom is no longer a country with an adequate level of data protection, in which case the Telefónica Group may face similar challenges and risks as it is currently facing with respect to data transfers to the United States or other territories not declared as having an adequate level of protection.

In Latin America, Law No. 13,709 in Brazil imposes standards and obligations similar to those required by the GDPR, including a sanctioning regime which is in force from August 2021, with fines for non-compliance of up to 2% of the Group's income in Brazil in the last financial year subject to a limit of 50 million Brazilian reais (approximately 9.1 million euros based on the exchange rate as of December 31, 2022) per infraction which may increase compliance risks and costs. In addition, in 2022 the Brazilian data protection authority, Autoridade Nacional de Proteção de Dados (ANPD), became an independent agency not linked to the presidency of the Republic, thus providing it with additional autonomy to develop its control and supervision functions.

Furthermore, in Ecuador, the Organic Law on Data Protection has entered into force, aligned with the principles of the European GDPR, although the effectiveness of the sanctioning regime is postponed for a two-year adaptation period which ends in 2023. In addition, Argentina has ratified Convention 108+, which is an international treaty of the Council of Europe which is open to accession by any state outside Europe, and which regulates the protection of the rights of individuals with regard to the automated processing of their data, in a very similar way to the protection granted by virtue of the GDPR. Likewise, in Chile and other territories in the region where Telefónica operates, there are regulatory proposals to bring regulation more in line with the provisions set forth in the GDPR, which may increase compliance risks and costs.

Data privacy protection requires careful design of products and services, as well as robust internal procedures and rules that can be adapted to regulatory changes where necessary, all of which entails compliance risk. Failure to maintain adequate data security and to comply with any relevant legal requirements could result in the imposition of significant penalties, damage to the Group's reputation and the loss of trust of customers and users

Telefónica's reputation depends to a large extent on the digital trust it is able to generate among its customers and other stakeholders. In this regard, in addition to any reputational consequences, it is important to note that, in the European Union, very serious breaches of the GDPR may entail the imposition of administrative fines of up to the larger of 20 million euros or 4% of the infringing

company's overall total annual revenue for the previous financial year. Furthermore, once it is approved, the e-Privacy Regulation may set forth sanctions for breaches of it similar to those provided for in the GDPR.

Any of the foregoing could have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Telefónica may not anticipate or adapt in a timely manner to changing customer demands and/or new ethical or social standards, which could adversely affect Telefónica's business and reputation.

To maintain and improve its position in the market vis-àvis its competitors, it is vital that Telefónica: (i) anticipates and adapts to the evolving needs and demands of its customers, and (ii) avoids commercial or other actions or policies that may generate a negative perception of the Group or the products and services it offers, or that may have or be perceived to have a negative social impact. In addition to harming Telefónica's reputation, such actions could also result in fines and sanctions.

In order to respond to changing customer demands, Telefónica needs to adapt both (i) its communication networks and (ii) its offering of digital services.

The networks, which had historically focused on voice transmission, are evolving into increasingly flexible, dynamic and secure data networks, replacing, for example, old copper telecommunications networks with new technologies such as fiber optics, which facilitate the absorption of the exponential growth in the volume of data demanded by the Group's customers.

In relation to digital services, customers require an increasingly digital and personalized experience, as well as a continuous evolution of the Group's product and service offering. In this sense, new services such as "Smart Wi-Fi", "Connected Car", "Smart Cities", "Smart Agriculture" and "Smart Metering" which facilitate certain aspects of the Group's customers' digital lives, are being developed. Furthermore, new solutions for greater automation in commercial services and in the provision of the Group's services are being developed, through new apps and online platforms that facilitate access to services and content, such as new video platforms that offer both traditional Pay TV, video on demand or multidevice access. However, there can be no assurance that these and other efforts will be successful. For example, if streaming television services, such as Netflix or others, become the principal way television is consumed to the detriment of the Group's Pay TV service, the Group's revenues and margins could be affected.

In the development of all these initiatives it is also necessary to take into account several factors: firstly, there is a growing social and regulatory demand for companies to behave in a socially responsible manner,



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

and, in addition, the Group's customers are increasingly interacting through online communication channels, such as social networks, in which they express this demand. Telefónica's ability to attract and retain clients depends on their perceptions regarding the Group's reputation and behavior. The risks associated with potential damage to a brand's reputation have become more relevant, especially due to the impact that the publication of news through social networks can have.

If Telefónica is not able to anticipate or adapt to the evolving needs and demands of its customers or avoid inappropriate actions, its reputation could be adversely affected, or it could otherwise have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Operational Risks.

Information technology is key to the Group's business and is subject to cybersecurity risks.

The risks derived from cybersecurity are among the Group's most relevant risks due to the importance of information technology to its ability to successfully conduct operations. Despite advances in the modernization of the network and the replacement of legacy systems in need of technological renewal, the Group operates in an environment increasingly prone to cyber-threats and all of its products and services are intrinsically dependent on information technology systems and platforms that are susceptible to cyberattacks. Successful cyberattacks could prevent the effective provision, operation and commercialization of products and services in addition to affecting their use by customers. Therefore, it is necessary to continue to identify and remedy any technical vulnerabilities and weaknesses in the Group's operating processes, as well as to strengthen its capabilities to detect, react and recover from incidents. This includes the need to strengthen security controls in the supply chain (for example, by focusing on the security measures adopted by the Group's providers and other third parties), as well as to ensure the security of the services in the cloud.

Telecommunications companies worldwide face continuously increasing cybersecurity threats as businesses become increasingly digital and dependent on telecommunications, computer networks and cloud computing technologies. As a result of the circumstances brought by the COVID pandemic, remote access and teleworking of employees and collaborators has spread and is now a common practice, increasing the use of cloud services; thus, the risks associated with their use, and forcing companies to review the security controls beyond the perimeter of the corporate network. Further, the Telefónica Group is aware of the possible cybersecurity risks arising from the conflict in Ukraine, monitoring cyberattacks that may affect our infrastructure, and maintaining contact with national and

international organizations to obtain cyberintelligence information, without having so far detected a significant increase in attacks in our perimeter compared to other previous periods, though this may change in the future. Cybersecurity threats may include gaining unauthorized access to the Group's systems or propagating computer viruses or malicious software, to misappropriate sensitive information like customer data or disrupt the Group's operations. In addition, traditional security threats, such as theft of laptop computers, data devices and mobile phones may also affect the Group along with the possibility that the Group's employees or other persons may have access to the Group's systems and leak data and/or take actions that affect the Group's networks or otherwise adversely affect the Group or its ability to adequately process internal information or result in regulatory penalties.

In particular, in the past three years, the Group has suffered several cybersecurity incidents. Attacks during this period include (i) intrusion attempts (direct or phishing), exploitation of vulnerabilities and corporate credentials being compromised; (ii) Distributed Denial of Service (DDoS) attacks, using massive volumes of Internet traffic that saturate the service; and (iii) exploitation of vulnerabilities to carry out fraud through online channels, usually through the subscription of services without paying for them. None of these incidents had material consequences for the Telefónica Group, but this may change in the future.

Although Telefónica seeks to manage these risks by adopting technical and organizational measures as defined in its digital security strategy, such as the use of early vulnerabilities detection, access control, log review of critical systems and network segregation, as well as the deployment of firewalls, intrusion-prevention systems, virus scanners and backup systems, it can provide no assurance that such measures are sufficient to avoid or fully mitigate such incidents. Therefore, the Telefónica Group has insurance policies in place, which could cover, subject to the policies terms, conditions, exclusions, limits and sublimits of indemnity, and applicable deductibles, certain losses arising out of these types of incidents. To date, the insurance policies in place have covered some incidents of this nature, however due to the potential severity and uncertainty about the evolution of the aforementioned events, these policies may not be sufficient to cover all possible losses arising out of these risks

Climate change, natural disasters and other factors beyond the Group's control may result in physical damage to our technical infrastructure that may cause unanticipated network or service interruptions or quality loss or otherwise affect the Group's business.

Climate change, natural disasters and other factors beyond the Group's control, such as system failures, lack of electric supply, network failures, hardware or software failures, theft of network elements or cyber-attacks can



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

damage our infrastructure and affect the quality of, or cause interruption to, the provision of the services of the Telefónica Group.

Further, changes in temperature and precipitation patterns associated with climate change may increase the energy consumption of telecommunications networks or cause service disruption due to extreme temperature waves, floods or extreme weather events. These changes may cause increases in the price of electricity due to, for example, reduction in hydraulic generation as a result of recurrent droughts. Further, as a result of global commitments to tackle climate change, new carbon dioxide taxes may be imposed and could affect, directly or indirectly, Telefónica, and may have a negative impact on the Group's operations results. Telefónica analyses these risks in accordance with the recommendations of the Task Force on Climate–Related Financial Disclosures ("TCFD").

Network or service interruptions or quality loss or climate-related risks could cause customer dissatisfaction, a reduction in revenues and traffic, the realization of expensive repairs, the imposition of sanctions or other measures by regulatory bodies, and damage to the image and reputation of the Telefónica Group, or could otherwise have an adverse effect on the business, financial condition, results of operations and/or cash flows of the Group.

Financial Risks.

Worsening of the economic and political environment could negatively affect Telefónica's business.

Telefónica's international presence enables the diversification of its activities across countries and regions, but it exposes Telefónica to diverse legislation, as well as to the political and economic environments of the countries in which it operates. Any adverse developments in this regard, including inflationary pressures, rapid normalization of monetary policy, exchange rate or sovereign-risk fluctuations, as well as growing geopolitical tensions, may adversely affect Telefónica's business, financial position, debt management, cash flows and results of operations and/or the performance of some or all of the Group's financial indicators.

Russia's invasion of Ukraine opened a period that has been characterized by extraordinary uncertainty and the simultaneous concurrence of multiple negative shocks. Inflationary pressures, arising from bottlenecks associated with the rapid recovery from the pandemic, have been exacerbated by two phenomena that are closely related to the Russian invasion; i) the largest energy crisis since 1970s (17.7% of GDP spent on energy in 2022 vs. 10.2% in 2019 in OECD countries) and ii) the highest increase in world food prices in recent history, resulting in inflation

rates not seen in the last 40 years. The persistence of shocks led inflationary pressures to become more broadbased, with higher costs increasingly being passed through to the final prices of other goods and services, leading to strong response from central banks (interest rate hikes and liquidity withdrawal) and a significant loss of consumer purchasing power. Further, it is likely that the transmission of past increases in energy prices and other imported goods to final prices has not yet been completed, which will continue to put some upward pressure in the short term. These inflationary pressures have also been contributed to by the increasing wage demands that have been observed at the international level, reflecting both the strength of labor markets, especially those of the main developed economies, and the prevalence (although to a lesser extent than in the past) of wage indexation mechanisms. Moreover, there is a risk that global liquidity reduction and high interest rates could generate greater financial volatility leading to episodes of stress, such as those observed in the United Kingdom, especially if inflation turns out to be more persistent than previously expected. Also, premature monetary easing by central banks could lead to inflationary rebound that could generate a new period of stagflation as in the 1970s. Going forward, elements that could worsen the effects of the current situation include the escalation of the armed conflict and potential disruptions to energy supply and possible further increases in commodity prices, with a potential deanchoring of inflation expectations and higher-thanexpected wage demands, prolonging and amplifying the inflation-recession scenario. As a result of the above, economic growth is expected to decelerate further in the near term, with a significant risk of recession in many parts of the world.

So far, the main European countries where the Group operates have been affected through the price channel (higher commodity prices, intermediate inputs and salary costs, among others), as their trade and financial exposure is limited. However, in Europe there is concern about the energy situation for both this and next winter if climate conditions worsen in the face of a possible gas shortage. Latin America could be affected by lower external demand associated with slower global growth, deteriorating terms of trade and tighter financial conditions

As of December 31, 2022, the contribution of each segment to Telefónica Group's total assets was as follows: Telefónica Spain 25.5% (22.9% as of December 31, 2021), VMO2 9.8% (11.1% as of December 31, 2021), Telefónica Germany 17.5% (18.3% as of December 31, 2021), Telefónica Brazil 22.7% (19.7% as of December 31, 2021) and Telefónica Hispam 14.5% (14.3% as of December 31, 2021). Part of the Group's assets are located in countries that do not have an investment grade credit rating (in order of importance, Brazil, Argentina, Ecuador and Venezuela). Likewise, Venezuela and Argentina are



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

considered countries with hyperinflationary economies in 2022 and 2021.

The main risks are detailed by geography below:

In Europe, there are several risks of an economic and political nature. First, the development of the armed conflict between Russia and Ukraine constitutes the main risk factor on growth and inflation prospects. Any worsening of the supply of gas, oil or food (such as the total shutdown of flows from Russia) would have a negative impact on their prices with a consequent impact on disposable income. In the medium term, this could lead to a stronger pass-through to final consumer prices, which could result in higher-than-expected wage increases, a persistent rise in inflation expectations and an even tighter monetary policy. All of the above would be added to the economic risks existing prior to the conflict, such as the consequences of an increase in the cost of financing conditions, both for the private and public sectors (more accelerated than expected a few months ago) which could trigger episodes of financial stress. Finally, there is a risk of financial fragmentation in the transmission of monetary policy in the Eurozone, which means that interest rates may react differently in different countries across the Eurozone, leading to differences in the yields of bonds issued by peripheral countries (such as Spain) and those issued by central countries, which would make access to credit more difficult for the former.

- · Spain: there are several local sources of risks. One of them stems from the risk that supply disruptions will have a more persistent negative economic impact than expected, and high commodity prices and/or the emergence of second round effects, prolonging the inflationary episode with a deeper impact on household income. Secondly, and although the disbursement of European funds (NGEU) appears to be gaining traction, further delays or even designing flaws could limit their final impact on GDP growth and employment. In addition, as one of the most open countries in the world, from a commercial point of view, being among the top ten countries in respect of capital outflows and inflows globally, the rise of protectionism and trade restrictions could have significant implications. Lastly, the impact of rising interest rates could be a source of financial stress due to high public indebtedness and lead to a possible correction in the real estate market.
- Germany: in the short term, the main sources of risk relate to the country's energy supply (as 35% of energy came from Russia before the conflict) and the prolongation of bottlenecks in the supply of raw materials and intermediate goods in the manufacturing sector, which could continue to limit the expansion of economic activity. Among the risks associated with energy supply, there is a risk of unusually low temperatures that could lead to higher gas consumption requirements and may affect the ability to secure necessary gas supplies. On the other hand, there is concern that higher-than-expected wage

- growth could lead to a stronger inflationary cycle. As for the medium to long term, there is a risk that a potential escalation of geopolitical tensions could reduce international trade, with a consequent impact on the country's potential growth, which is dependent on exports. In addition, long-term challenges remain, such as the aging of the population.
- · United Kingdom: an intensification of inflationary pressures could weigh on consumption and further depress economic growth. In particular, there is a concern that wage growth could lead to a further increase in the prices of goods and services, preventing inflation rates from normalizing as quickly as anticipated. On the other hand, although the UK economy has few direct trade links with Russia and Ukraine, it is vulnerable to developments in the global energy market as it is the second European economy with the largest share of gas in the energy mix. In addition, Britain imports gas and electricity from the European continent during the coldest months, so a confluence of an abnormally cold winter and a cut-off of Russian gas to Europe could lead to energy shortages. On the political front, recent social polarization could detract political capital from the incoming executive, becoming another source of uncertainty in the short to medium term. Finally, the formal exit of the United Kingdom from the European Union on December 31, 2020 (Brexit) has created new barriers to trade in goods and services, mobility and cross-border exchanges, which will entail an economic adjustment in the medium term. Northern Ireland's post-Brexit status and the difficulties associated with the implementation of the Northern Ireland Protocol will continue to be a source of tension.
- In Latin America, the exchange risk is moderate but may increase in the future. The end of electoral events and rapid central bank actions to contain inflation may, at least partially, limit the impact of external risks (global trade tensions, abrupt movements in commodity prices, concerns about global growth, tightening U.S. monetary policy and financial imbalances in China) and internal risks (managing the monetary normalization and the possible underlying fiscal deterioration).
- Brazil: fiscal sustainability remains the main domestic risk, especially considering the recent approval of extraordinary spending of ~2% of GDP by 2023. The new administration's initial signals are towards greater economic interventionism, the repeal of the spending cap and the review of the privatization agenda. Political negotiations could be affected by social polarization. Uncertainty now centers on the unknown economic guidelines for the coming years of the new government, including the definition of a new fiscal rule, expenditure increase and the economic reform agenda. Given this context, domestic asset prices, including the exchange rate, continue to show high volatility. In addition, higher fiscal risks have also affected inflation expectations,



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

which have increased since December 2022, remaining above the targets for the monetary policy's relevant horizon (2023 and 2024). In this regard, there is a risk that interest rates will be above the levels expected a few months ago, which would imply a downward bias for GDP growth in 2023.

- Argentina: macroeconomic and exchange rate risks remain high. The main domestic challenges are achieving political consensus to reduce the public deficit and rebuilding international reserves in a context of high inflation, in order to allow the country to meet the targets agreed with the International Monetary Fund. On the external front, a global slowdown resulting in lower demand for exported products and their prices would imply lower hard currency inflows, which would increase vulnerability to volatility in international financial markets. Finally, the application of unorthodox price control measures and increasing foreign exchange restrictions could affect Telefónica's profitability.
- · Chile, Colombia and Peru: these countries are exposed not only to changes in the global economy, given their vulnerability and exposure to changes in commodity prices, but also to tightening of global financial conditions. On the domestic side, existing political instability and the possibility of further social unrest and the resurgence of populism could have a negative impact in both the short and medium term. In this regard, measures that result in excessive growth in public spending that jeopardize fiscal balance could have a negative impact on sovereign credit ratings, further deteriorating local financing conditions. High inflation threatens to be more persistent than expected, which would limit central banks' ability to respond to an abrupt drop in activity levels and would also increase the risk on financial stability. In political terms, uncertainty prevails both in Chile, due to the new constituent process underway, and in Colombia, due to the impact that the tax and pension reforms promoted by the President may have on private investment. In Peru, political instability could continue despite the installation of the new government due to the lack of support both in chambers and at the grassroots level.

As discussed above, the countries where the Group operates are generally facing significant economic uncertainties and, in some cases, political uncertainties. The worsening of the economic and political environment in any of the countries where Telefónica operates may materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.

The Group has and, in the future, could experience impairment of goodwill, investments accounted for by the equity method, deferred tax assets or other assets.

In accordance with current accounting standards, the Telefónica Group reviews on an annual basis, or more frequently when the circumstances require it, the need to

introduce changes to the book value of its goodwill (which as of December 31, 2022, represented 16.8% of the Group's total assets), investments accounted for by the equity method (which represented 10.6% of the Group's total assets as of December 31, 2022), deferred tax assets (which as of December 31, 2022, represented 4.5% of the Group's total assets), or other assets, such as intangible assets (which represented 11.0% of the Group's total assets as of December 31, 2022), and property, plant and equipment (which represented 21.6% of the Group's total assets as of December 31, 2022). In the case of goodwill, the potential loss of value is determined by the analysis of the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated at the time it is originated, and such calculation requires significant assumptions and judgment. In 2022 impairment losses in other assets of Telefónica Argentina were recognized for a total of 77 million euros. In 2021 impairment losses in the goodwill of Telefónica del Perú were recognized for a total of 393 million euros and in 2020 impairment losses in the goodwill and other assets of Telefónica Argentina were recognized for a total of 894 million euros.

In addition, Telefónica may not be able to realize deferred tax assets on its statement of financial position to offset future taxable income. The recoverability of deferred tax assets depends on the Group's ability to generate taxable income over the period for which the deferred tax assets remain deductible. If Telefónica believes it is unable to utilize its deferred tax assets during the applicable period, it may be required to record an impairment against them resulting in a non-cash charge on the income statement. By way of example, in 2021 deferred tax assets corresponding to the tax Group in Spain amounting to 294 million euros were derecognized (101 million euros in 2020).

Further impairments of goodwill, deferred tax assets or other assets may occur in the future which may materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.

The Group faces risks relating to its levels of financial indebtedness, the Group's ability to finance itself, and its ability to carry out its business plan.

The operation, expansion and improvement of the Telefónica Group's networks, the development and distribution of the Telefónica Group's services and products, the implementation of Telefónica's strategic plan and the development of new technologies, the renewal of licenses and the expansion of the Telefónica Group's business in countries where it operates, may require a substantial amount of financing.

The Telefónica Group is a relevant and frequent issuer of debt in the capital markets. As of December 31, 2022, the Group's gross financial debt amounted to 39,079 million euros (42,295 million euros as of December 31, 2021), and



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

the Group's net financial debt amounted to 26,687 million euros (26,086 million euros as of December 31, 2021). As of December 31, 2022, the average maturity of the debt was 13.1 years (13.6 years as of December 31, 2021), including undrawn committed credit facilities.

A decrease in the liquidity of Telefónica, or a difficulty in refinancing maturing debt or raising new funds as debt or equity could force Telefónica to use resources allocated to investments or other commitments to pay its financial debt, which could have a negative effect on the Group's business, financial condition, results of operations and/or cash flows.

Funding could be more difficult and costly to obtain in the event of a deterioration of conditions in the international or local financial markets due, for example, to monetary policies set by central banks, including increases in interest rates and/or decreases in the supply of credit, increasing global political and commercial uncertainty and oil price instability, or if there is an eventual deterioration in the solvency or operating performance of Telefónica.

As of December 31, 2022, the Group's gross financial debt scheduled to mature in 2023 amounted to 4,020 million euros, and gross financial debt scheduled to mature in 2024 amounted to 2,010 million euros.

In accordance with its liquidity policy, Telefónica has covered its gross debt maturities for the next 12 months with cash and credit lines available as of December 31, 2022. As of December 31, 2022, the Telefónica Group had undrawn committed credit facilities arranged with banks for an amount of 11,737 million euros (11,434 million euros of which were due to expire in more than 12 months). Liquidity could be affected if market conditions make it difficult to renew undrawn credit lines. As of December 31, 2022, 2.6% of the aggregate undrawn amount under credit lines was scheduled to expire prior to December 31, 2023.

In addition, given the interrelation between economic growth and financial stability, the materialization of any of the economic, political and exchange rate risks referred to above could adversely impact the availability and cost of Telefónica's financing and its liquidity strategy. This in turn could have a negative effect on the Group's business, financial condition, results of operations and/or cash flows.

Finally, any downgrade in the Group's credit ratings may lead to an increase in the Group's borrowing costs and could also limit its ability to access credit markets.

The Group's financial condition and results of operations may be adversely affected if it does not effectively manage its exposure to interest rates or foreign currency exchange rates.

Interest rate risk arises primarily in connection with changes in interest rates affecting: (i) financial expenses on floating-rate debt (or short-term debt likely to be renewed); (ii) the value of long-term liabilities at fixed interest rates; and (iii) financial expenses and principal payments of inflation-linked financial instruments, considering interest rate risk as the impact of changes in inflation rates.

In nominal terms, as of December 31, 2022, 88% of the Group's net financial debt had its interest rate set at fixed interest rates for periods of more than one year. The effective cost of interest payments for the last 12 months was 3.86% as of December 31, 2022 compared to 3.77% as of December, 2021. To illustrate the sensitivity of financial expenses to variations in short-term interest rates as of December 31, 2022: (i) a 100 basis point increase in interest rates in all currencies in which Telefónica had a financial position at that date would have led to an increase in financial expenses of 34 million euros, whereas (ii) a 100 basis point decrease in interest rates in all currencies (even if negative rates are reached), would have led to a reduction in financial expenses of 34 million euros. For the preparation of these calculations, a constant position equivalent to the position at that date is assumed of net financial debt.

Exchange rate risk arises primarily from: (i) Telefónica's international presence, through its investments and businesses in countries that use currencies other than the euro (primarily in Latin America and the United Kingdom); (ii) debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt; and (iii) trade receivables or payables in a foreign currency to the currency of the company with which the transaction was registered. According to the Group's calculations, the impact on results, and specifically on net exchange differences, due to a 10% depreciation of Latin American currencies against the U.S. dollar and a 10% depreciation of the rest of the currencies to which the Group is most exposed, against the euro would result in exchange gains of 11 million euros as of December 31, 2022 and a 10% appreciation of Latin American currencies against the U.S. dollar and a 10% appreciation of the rest of the currencies to which the Group is most exposed, would result in exchange losses of 11 million euros as of December 31, 2022. These calculations have been made assuming a constant currency position with an impact on profit or loss for 2022 taking into account derivative instruments in place.

In 2022, the evolution of exchange rates positively impacted the Group's results, increasing the year-on-year growth of the Group's consolidated revenues and OIBDA by an estimated 4.5 percentage points and 3.0 percentage points, respectively, mainly due to the evolution of the Brazilian real (negative impact of 2.3 percentage points and 2.7 percentage points, respectively, in 2021). Furthermore, translation differences



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

as of December 31, 2022 had a positive impact on the Group's equity of 1,169 million euros (4,088 million euros as of December 31, 2021).

The Telefónica Group uses a variety of strategies to manage this risk including, among others, the use of financial derivatives, which are also exposed to risk, including counterparty risk. The Group's risk management strategies may be ineffective, which could adversely affect the Group's business, financial condition, results of operations and/or cash flows. If the Group does not effectively manage its exposure to foreign currency exchange rates or interest rates, it may adversely affect its business, financial condition, results of operations and/or cash flows.

Legal and Compliance Risks.

Telefónica and Telefónica Group companies are party to lawsuits, antitrust, tax claims and other legal proceedings.

Telefónica and Telefónica Group companies operate in highly regulated sectors and are and may in the future be party to lawsuits, tax claims, antitrust and other legal proceedings in the ordinary course of their businesses, the outcome of which is unpredictable.

The Telefónica Group is subject to regular reviews, tests and audits by tax authorities regarding taxes in the jurisdictions in which it operates and is a party and may be a party to certain judicial tax proceedings. In particular, the Telefónica Group is currently party to certain tax and regulatory proceedings in Brazil, primarily relating to the ICMS (a Brazilian tax on telecommunication services) and the corporate tax.

Telefónica Brazil maintained provisions for tax contingencies amounting to 446 million euros and provisions for regulatory contingencies amounting to 336 million euros as of December 31, 2022. In addition, Telefónica Brazil faces possible tax contingencies for which no provisions are made (see Note 25-Tax Litigation in Telefónica Brazil, to the Consolidated Financial Statements). Further, the Group makes estimates for its tax liabilities that the Group considers reasonable, but if a tax authority disagrees, the Group could face additional tax liability, including interest and penalties. There can be no guarantee that any payments related to such contingencies or in excess of our estimates will not have a significant adverse effect on the Group's business, results of operations, financial condition and/or cash flows. In addition to the most significant litigation indicated above, further details on these matters are provided in Notes 25 and 29 to the Consolidated Financial Statements. The details of the provisions for litigation, tax sanctions and claims can be found in Note 24 of the Consolidated Financial Statements.

Telefónica Group is also party to certain litigation in Peru concerning certain previous years' income taxes in respect of which Telefónica has been notified that the judicial resolutions which resolve the contentious administrative processes are unfavorable to the Group and will require it to pay taxes related to prior years. At the end of the relevant proceedings, the Tax Administration, through an administrative act, will determine the amount of the payment obligation. The estimated impact of the aforementioned judicial resolutions is already provisioned in Telefónica's financial statements, with the total provision as of December 31, 2022 amounting to 3,849 million Peruvian soles (approximately 945 million euros at the exchange rate at such date).

An adverse outcome or settlement in these or other proceedings, present or future, could result in significant costs and may have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

Increased scrutiny and changing expectations from stakeholders, evolving reporting and other legal obligations and compliance with the Company's own goals regarding ESG matters, may expose the Company to various risks.

The Telefónica Group may be unable to adapt to or comply with increasingly demanding expectations from analysts, investors, customers and other stakeholders and new regulatory reporting or other legal requirements related to ESG issues. Further, expectations and requirements may differ from region to region, may be based on diverging calculation or other criteria and may experience material changes as they still are at their emerging phase.

Further, the Group's disclosure of information on its ESG objectives and initiatives in its public reports and other communications (including its $\rm CO_2$ emission reduction targets) subjects it to the risk that it will fail to achieve these objectives and initiatives.

Although Telefónica is working to comply with new ESG reporting requirements, to achieve its objectives, and to meet the expectations of its stakeholders in these matters, if the Company is unable to meet these expectations, fails to adequately address ESG matters or fails to achieve the reported objectives (including its CO₂ emission reduction targets), the Telefónica Group's reputation, its business, financial position, results of operations and/or cash flows could be materially and adversely affected.

The Telefónica Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs.

The Telefónica Group is required to comply with the anticorruption laws and regulations of the jurisdictions where it conducts operations around the world, including in certain circumstances with laws and regulations having



- 1. Strategy and growth model
- 2. Non-financial Information statement

3. Risks

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

extraterritorial effect such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010. The anti-corruption laws generally prohibit, among other conduct, providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage or failing to keep accurate books and records and properly account for transactions.

In this sense, due to the nature of its activities, the Telefónica Group is increasingly exposed to this risk, which increases the likelihood of occurrence. In particular, it is worth noting the continuous interaction with officials and public administrations in several areas, including the institutional and regulatory fronts (as the Telefónica Group carries out a regulated activity in different jurisdictions), the operational front (in the deployment of its network, the Telefónica Group is subject to obtaining multiple activity permits) and the commercial front (the Telefónica Group provides services directly and indirectly to public administrations). Moreover, Telefónica is a multinational group subject to the authority of different regulators and compliance with various regulations, which may be domestic or extraterritorial in scope, civil or criminal, and which may lead to overlapping authority in certain cases. Therefore, it is very difficult to quantify the possible impact of any breach, bearing in mind that such quantification must consider not only the economic amount of sanctions, but also the potential negative impact on the business, reputation and/or brand, or the ability to contract with public administrations.

Additionally, the Telefónica Group's operations may be subject to, or otherwise affected by, economic sanctions programs and other forms of trade restrictions ("sanctions") including those administered by the United Nations, the European Union, the United States, including by the U.S. Treasury Department's Office of Foreign Assets Control and the United Kingdom. The sanctions regulations restrict the Group's business dealings with certain sanctioned countries, territories, individuals and entities and may impose certain trade restrictions, among others, export and/or import trade restrictions to certain good and services. In this context, the provision of services by a multinational telecommunications group, such as the Telefónica Group, directly and indirectly, and in multiple countries, requires the application of a high degree of diligence to prevent the contravention of sanctions (which take various forms, including economic sanctions programs applicable to countries, territories, lists of entities and persons sanctioned or certain trade restrictions). Given the nature of its activity, the Telefónica Group's exposure to these sanctions is particularly noteworthy.

Although the Group has internal policies and procedures designed to ensure compliance with the above mentioned applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that the Group's

employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or, otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Group, its subsidiaries or they may be ultimately held responsible. In this regard, the Group is currently cooperating with governmental authorities (and, where appropriate, conducting the relevant internal investigations) regarding requests for information potentially related, directly or indirectly to possible violations of applicable anti-corruption laws. Telefónica believes that, considering the size of the Group, any potential penalty as a result of matters relating to those specific information requests would not materially affect the Group's financial condition.

Notwithstanding the above, violations of anti-corruption laws and sanctions regulations could lead not only to financial penalties, but also to exclusion from government contracts and the revocation of licenses and authorizations, and could have a material adverse effect on the Group's reputation, or otherwise adversely affect the Group's business, financial condition, results of operations and/or cash flows.

- 2. Non-financial Information statement
- 4. Annual Corporate Governance Report 5. Annual Report on Remuneration of the Directors
- 6. Other information

Annual Corporate Governance Report

- 4.1. Main aspects of Corporate Governance in 2022 and prospects for 2023
- 4.2. Structure of the Property
- 4.3. General Shareholders' Meeting
- 4.4. The Organisational Structure of the Administrative Bodies
- 4.5. Transactions with Related Parties and Conflicts of Interest
- 4.6. Risk Control and Management Systems
- **4.7.** Internal Risk Control and Management Systems in relation to the Financial Information System (SCIIF)
- 4.8. IAGC Statistical Annex
- 4.9. Further information of interest







- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.1. Main aspects of Corporate Governance in 2022 and prospects for 2023

GRI 2-9, 2-17

4.1.1. Corporate Governance System

Telefónica's basic corporate governance principles are set forth in its Bylaws, in the Regulations of its Board of Directors, in the Regulations for the General Shareholders' Meeting, in the Regulations for the Audit and Control Committee, in the Regulations for the Nominating, Compensation and Corporate Governance Committee, in the Internal Code of Conduct for Securities Markets Issues, and in certain Policies relating to this matter: particularly noteworthy. among others, are the Diversity Policy in relation to the Board of Directors and the Selection of Board Members, the Disclosure, Contact and Engagement Policy for Shareholders, Institutional Investors and Proxy Advisors, the Remuneration Policy of the Directors of Telefónica, S.A. and the Responsible Business Policy. These regulations determine the action principles of the Board, govern its organization and operation, and set the rules of conduct of its members.

The principles underlying Telefónica's corporate governance are the following:

- a. the maximization of the value of the Company in the interest of the shareholders,
- b. the essential role of the Board of Directors in the supervision of the management of the Company, and
- c. transparency as regards information in relations with its stakeholders including employees, shareholders, investors and customers, among others.

As provided in the Regulations of the Board of Directors, the Board will take the necessary measures to ensure: (i) that the Company's management team pursues the creation of value for the shareholders, (ii) that such management team is under its actual supervision, (iii) that no person or small group of persons holds a decision-making power that is not subject to checks and balances or controls, and (iv)

that any shareholder receives privileged treatment compared to the others.

4.1.2. Continuous improvement of Corporate Governance

Telefónica undertakes the firm commitment to continuously improve its corporate governance framework by expanding, enhancing and consolidating best practices in this subject.

In relation to the above, the Company carries out an ongoing analysis and review of its corporate governance structures and the degree of compliance with the main recommendations existing in the subject of good governance, always in consideration of possible initiatives to make short and medium term improvements and seeking out the formula for governance that best defends the interests of its shareholders and value creation.

In this context, as it has done throughout the 2021 financial year, Telefónica has continued to improve and strengthen its corporate governance framework in 2022 by, among other measures: i) the continuous implementation of Training and Information Programmes to all members of its Board of Directors for the purpose to continue to comply with the best practices and recommendations in Corporate Governance; ii) the celebration, for the first time, of the General Meeting of Shareholders in hybrid format, for the purposes of ensuring an effective commitment with the Company's shareholders; and iii) the update of part of its regulations and internal policies in those matters where it has been required (for example, the Equality Policy of the Telefónica Group).

The detail of the matters indicated in the above paragraphs is given below:

> Training and Information Programme

Telefónica continually offers all members of its Board of Directors training programmes and refresher



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

courses on those aspects of special importance to the performance of their duties.

In this regard, throughout the 2022 financial year, training and information sessions have been imparted to the members of the Board of Directors related to the following topics, among others:

- Sustainability:
 - Workshop oriented towards providing a general view on the main ESG criteria from Telefónica's perspective, given on January 25, 2022.
 - Training session on European Taxonomy, specifically on the regulatory development related to the financial sector with the attainment of the decarbonisation goals of the European economy, and with the compliance of the United Nations' Sustainable Development Goals, given on May 30, and June 6, 2022.
- Cybersecurity and Technology Risks: Course on the main concepts and risks in Cybersecurity, Information and Technology, given on March 11 and 21, 2022.
- Visit to the new Telefónica Demostration Centre ("La Cabina") on November 3, 2022, a benchmark for companies, employees and institutions, where the present and future possibilities of technology are on display, with sustainable innovation solutions that in addition to being a windfall for businesses, act as an engine for social, environmental and economic transformation.

In addition, the Company has an onboarding process for new Board Members, which provides them with a welcome pack with important information about the Company. The purpose is for new member of the Board of Directors or its Committees can have the right support they need to rapidly get up to speed regarding the Company and its Group, in such way that from they can actively perform their duties immediately after their appointment.

Some of the most important documents provided to the new Board Members are: (i) the basic corporate regulations (Bylaws, Regulations for the General Shareholders' Meeting, Regulations of the Board of Directors, Regulations of the Audit and Control Committee, and Regulations for the Nominating, Compensation and Corporate Governance Committee. Similarly, the Diversity Policy in relation to the Board of Directors and the Selection of Board Members, the Remuneration Policy of the Directors, and the Disclosure, Contact and Engagement Policy for Shareholders, Institutional Investors and Proxy Advisors); (ii) the Internal Code of Conduct for Securities Markets Issues (RIC), which establishes a

series of communication obligations and restrictions on carrying out operations with securities issued by companies of the Telefónica Group; (iii) the Responsible Business Policy; (iv) the Schedule of ordinary sessions of the Board of Directors and of the Board Committees; and (v) the presentation of the Company's governing bodies and the organisational structure.

> General Shareholders' Meeting 2022

The General Shareholders' Meeting held on April 8, 2022, took place for the first time in a hybrid mode, that is, with the attendance of shareholders in-person and online. However, as a consequence of the health crisis caused by COVID-19, and given the possibility that, on the date scheduled for the General Shareholders' Meeting, there might be some type of regulatory limitation or recommendation from the health authorities that would affect people's mobility or their ability to convene, the Company's Board of Directors recommended that shareholders or their representatives participate remotely in the General Meeting (by granting a proxy or casting a vote prior to the Meeting, or by attending the meeting remotely) following the Meeting by audiovisual means through the Company's corporate website, advising against physical attendance.

The objective pursued by Telefónica was to offer a format for the General Meeting of Shareholders that was attractive and accessible, to thus ensure the Company's effective commitment to its shareholders. In following, the key points highlighted at the General Meeting of Shareholders of Telefonica S.A. in 2022 are detailed:

- Significant increase in the quorum of attendance (58.58%), with the highest quorum since 2009, and the participation of shareholders and investors.
- High participation via remote access.
- Possibility of attending and exercising the rights of the shareholders online.
- Full broadcast in live streaming of the General Meeting of Shareholders.

> Update of Corporate Regulations and Policies

Throughout 2022, the Board of Directors has approved the following corporate regulations and policies: (i) updating the Telefónica Energy Management Policy; (ii) the Competition Law Policy of the Telefónica Group; (iii) the Equality Policy of the Telefónica Group; (iv) updating of the Regulations on Procurement of



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Goods and Services (NCC-003); and (v) the Regulations on Sanctions.

The **main priorities** of Telefónica in corporate governance matters **for 2023** are:

- Continue to strengthen the corporate governance system by implementing the improvement actions identified in the 2022 review, and improve the functioning of the governance bodies for the purpose of keeping it permanently aligned with national and international best practices.
- Continue to strengthen its commitment to its shareholders through the General Meetings that are accessible to all shareholders regardless of their circumstances and foster an information transparency policy.
- Have a Board of Directors that guarantees a balanced, qualified and diverse make-up to lead the Group in its current and future strategy.
- Continue to foster best practices to integrate ESG criteria (Environmental, Social and Governance) in the functions of the Company's Board of Directors.

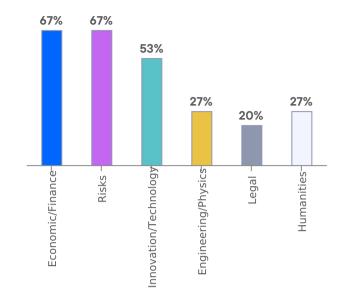
4.1.3. Key issues of the Board of Directors

As of December 31, 2022, some key issues of the Board of Directors of Telefónica, S.A. are detailed below:

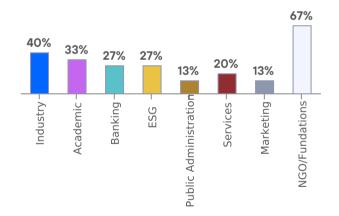


Similarly, regarding the diversity of the Board, the following aspects stand out:

% Directors with the following Knowledge and Skills



% Directors with Professional Experience in the following sectors



Nationality

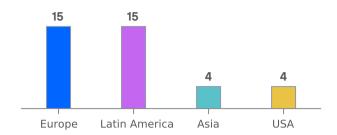
Spanish		12
English		1
Austrian		1
Brazililan	•	1

- Strategy and growth model
 Non-financial Information statement
 Risks

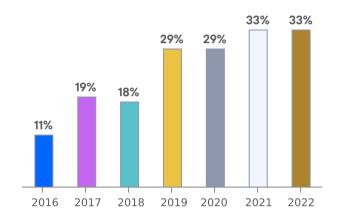
4. Annual Corporate Governance Report
5. Annual Report on Remuneration of the Directors

6. Other information

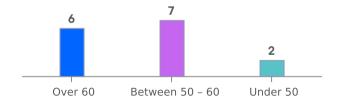
Number of Directors with International Experience



% Women of Board



Board Diversity by Age





- Strategy and growth model
 Non-financial Information statement
 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Likewise, shown below is the composition of the Board of Directors along with each of its Committees as of December 31, 2022. Additional information can be found in section 4.4 of the Annual Corporate Governance Report, and in section C of the Annual Corporate Governance Report statistical annex.

	Board of Directors				Board Committees						
Name	Post	Executive	Proprietary	Independent	Other External	Executive Commission	Audit and Control	Nominating, Compensation and Corporate Governance	Sustainability and Quality	Regulation and Institutional Affairs	Strategy and Innovation
Mr. José María Álvarez-Pallete López	Chairman	x				c					
Mr. Isidro Fainé Casas	Vice- Chairman		x			vc					
Mr. José María Abril Pérez	Vice- Chairman		x			vc					M
Mr. José Javier Echenique Landiríbar	Vice- Chairman and Lead Independent Director			x		vc	М	С			
Mr.Ángel Vilá Boix	Chief Operating Officer (C.O.O.)	x				М					
Mr. Juan Ignacio Cirac Sasturain	Member			х					М	М	М
Mr. Peter Erskine	Member				X	M		M			С
Ms. Carmen García de Andrés	Member			x			М		М	М	
Ms. María Luisa García Blanco	Member			x				М	С	М	
Mr. Peter Löscher	Member			x		M	С	M			
Ms. Verónica Pascual Boé	Member			х							M
Mr. Francisco Javier de Paz Mancho	Member				x	М		М	М	С	
Mr. Francisco José Riberas Mera	Member			х							
Ms. María Rotondo Urcola	Member			x			М		М		
Ms. Claudia Sender Ramírez	Member			x					М		M
	Chairman										

C Chairman

VC ViceChairman

Member



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

It also details the individual attendance of directors at meetings of the Board of Directors and each of its Committees during the year 2022.

Attendance at meetings of the Board and its Committees in 2022

	_			Board	d Committees		
Name	Board of Directors	Executive Commission	Audit and Control	Nominating, Compensation and Corporate Governance	Sustainability and Quality	Regulation and Institutional Affairs	Strategy and Innovation
Mr. José María Álvarez-Pallete López	14/14	14/15					
Mr. Isidro Fainé Casas	14/14	13/15					
Mr. José María Abril Pérez	13/14	15/15					9/9
Mr. José Javier Echenique Landiríbar	14/14	15/15	12/12	12/12			
Mr.Ángel Vilá Boix	14/14	15/15					
Mr. Juan Ignacio Cirac Sasturain	14/14				10/10	11/11	9/9
Mr. Peter Erskine	12/14	13/15		11/12			8/9
Ms. Carmen García de Andrés	14/14		12/12		10/10	11/11	
Ms. María Luisa García Blanco	14/14			12/12		11/11	
Mr. Peter Löscher	13/14	13/15	11/12	12/12			
Ms. Verónica Pascual Boé	13/14						7/9
Mr. Francisco Javier de Paz Mancho	14/14	14/15		12/12	10/10	11/11	
Mr. Francisco José Riberas Mera	12/14						
Ms. María Rotondo Urcola	14/14		11/12		10/10		
Ms. Claudia Sender Ramírez	14/14				10/10		8/9

Note. The table details the attendance of directors who have personally attended the meetings of the Board of Directors or its committees, not counting the attendance of directors made by proxy.

The total number of meetings held by the Board of Directors and the Committees in 2022 amounted more than **80**, demonstrating the intense activity of these bodies and the Directors's firm undertaking to perform their duties with dedication and commitment.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.2. Structure of the Property

GRI 2-1

4.2.1. Share Capital

As of December 31, 2022, the share capital of Telefónica, S.A. was set at 5,775,237,554 euros and is divided into 5,775,237,554 common shares, of a single series and with a par value of 1 euro each, fully paid in. All the shares of the Company have the same characteristics and carry the same rights and obligations.

On April, 22, 2022, the share capital reduction deed was registered, for an amount of 139,275,057 euros, in which 139,275,057 own shares that were in treasury stock were redeemed, with a nominal value of 1 euro each. Following the share capital reduction, the share capital was set at 5.639,772,963 euros.

On June 24, 2022, the deed granted was registered for a paid-up capital increase in the amount of 135,464,591 euros, in which 135,464,591 ordinary shares with a par value of 1 euro each were issued against reserves as part of the scrip dividend. Following the share capital increase, the share capital was set at 5,775,237,554 euros.

The shares of Telefónica, S.A. are represented by book entries that are listed on the Spanish Electronic Market (within the selective Ibex 35 index) and on the four Spanish Stock Exchanges (Madrid, Barcelona, Valencia and Bilbao), as well as on the New York and Lima Stock Exchanges (on these latter two Exchanges through American Depositary Shares (ADSs), with each ADS representing one share of the Company).

As of December 31, 2022, the total number of shareholders of Telefónica, S.A. amounted to 1.1 million, and the distribution by investors categories was as follows:

Investor Category	% Share Capital
Domestic Institutional	21 %
Foreign Institutional	49 %
Retail	30 %

Treasury shares

At its meeting held on May 31, 2017, the Board of Directors of the Company approved the General Framework for Discretionary Treasury Shares Operations of Telefónica, S.A., as provided in articles 16.2 and 17.6 of Telefónica's Internal Rules of Conduct in Matters Relating to the Securities Markets (the "IRC").

Such General Framework sets forth the discretionary action principles for the management of treasury shares, observing and respecting the provisions of the abovementioned Rules, particularly as regards restrictions on price, volume and timing of the transactions.

As of the closing date of the 2022 fiscal year, the number of direct shares held as treasury shares stood at 85,217,621 (1.48% of the share capital).

As for the changes in treasury shares that occurred during the fiscal year, see Note 17 (Equity) of the Consolidated Accounts of Telefónica, S.A. for fiscal year 2022

Furthermore, and in connection with the authorization granted to the Board of Directors by the shareholders at the General Shareholders' Meeting to acquire the Company's own shares, the shareholders acting at the Ordinary General Shareholders' Meeting of Telefónica held on June 8, 2018 resolved to renew the aforementioned authorization granted by the shareholders themselves at the General Shareholders' Meeting of May 30, 2014 for the derivative acquisition of own shares, either directly or through companies of the Group, on the terms that are literally set forth below:

"A) To authorize, pursuant to the provisions of Section 144 et seq. of the Spanish Companies Act (Ley de Sociedades de Capital), the derivative acquisition by Telefónica, S.A., either directly or through any of the subsidiaries, at any time and as many times as it deems appropriate, of its own fully-paid in shares through purchase and sale, exchange or any other legal transaction.

The minimum acquisition price or minimum value consideration shall be equal to the par value of the shares of its own stock acquired, and the maximum acquisition price or maximum value consideration shall be equal to the listing price of the shares of its own stock acquired by the Company on an official secondary market at the time of the acquisition.

Such authorization is granted for a period of five years as from the date of this General Shareholders' Meeting and is expressly subject to the limitation that the par value of the Company's own shares acquired directly or indirectly pursuant to this authorization added to those already held by Telefónica, S.A. and



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

any of its subsidiaries shall at no time exceed the maximum amount permitted by the Law at any time, and the limitations on the acquisition of the Company's own shares established by the regulatory Authorities of the markets on which the shares of Telefónica, S.A. are traded shall also be observed.

It is expressly stated for the record that the authorization granted to acquire shares of its own stock may be used in whole or in part to acquire shares of Telefónica, S.A. that it must deliver or transfer to directors or employees of the Company or of companies of its Group, directly or as a result of the exercise by them of their option rights, all within the framework of duly approved compensation systems referencing the listing price of the Company's shares.

- B) To authorize the Board of Directors, as broadly as possible, to exercise the authorization granted by this resolution and to implement the other provisions contained therein; such powers may be delegated by the Board of Directors to the Executive Commission, the Executive Chairman of the Board of Directors, the Chief Operating Officer or any other person expressly authorized by the Board of Directors for such purpose.
- C) To deprive of effect, to the extent of the unused amount, the authorization granted under Item V on the Agenda by the shareholders at the Ordinary General Shareholders Meeting of the Company on May 30, 2014."

Authorisation to increase share capital

As regards the authorizations conferred in respect of the share capital, and in addition to the authorization already described to acquire the Company's own shares, the shareholders acting at the Ordinary General Shareholders' Meeting held on June 12, 2020 resolved to delegate to the Board of Directors, as broadly as required by Law, pursuant to the provisions of Section 297.1.b) of the Companies Act, the power to increase the share capital on one or more occasions and at any time, within a period of five year from the date of adoption of such resolution, by the maximum nominal amount of 2,596,065,843 euros, equal to one-half of the share capital of the Company on the date of adoption of the resolution at the General Shareholders' Meeting, issuing and floating the respective new shares for such purpose with or without a premium, the consideration for which will consist of monetary contributions, with express provision for incomplete subscription of the shares to be issued. The Board of Directors was also authorized to exclude pre-emptive rights in whole or in part, as provided in section 506 of the Companies Act. However, the power to exclude pre-emptive rights is limited to 20% of the share capital on the date on which the resolution is adopted. In accordance with the above-mentioned authorization, as of the end of fiscal year 2022, the Board

would be authorized to increase the share capital by the maximum nominal amount of 2,596,065,843 euros.

Furthermore, the shareholders at the Ordinary General Shareholders' Meeting of Telefónica, S.A., held on June 12, 2020, delegated to the Board of Directors, in accordance with the general rules governing the issuance of debentures and pursuant to the provisions of applicable law and the Company's Bylaws, the power to issue debentures, bonds, notes and other fixed-income securities and hybrid instruments, including preferred shares, which may in all cases be simple, exchangeable and/or convertible and/or grant the holders thereof a share in the earnings of the Company, as well as warrants, with the power to exclude the pre-emptive rights of shareholders. The aforementioned securities may be issued on one or more occasions, within a maximum period of five years as from the date of adoption of the resolution. However, the power to exclude pre-emptive rights is limited to 20% of the share capital on the date on which the resolution is adopted. The securities issued may be debentures, bonds, notes and other fixed-income securities, or debt instruments of a similar nature, or hybrid instruments in any of the forms admitted by Law (including, among others, preferred interests) both simple and, in the case of debentures, bonds and hybrid instruments, convertible into shares of the Company and/ or exchangeable for shares of the Company, of any of the companies of its Group or of any other company and/or giving the holders thereof an interest in the corporate earnings. Such delegation also includes warrants or other similar instruments that may entitle the holders thereof, directly or indirectly, to subscribe for or acquire newlyissued or outstanding shares, payable by physical delivery or through differences. The aggregate amount of the issuance or issuances of instruments that may be approved in reliance on this delegation may not exceed, at any time, 25,000 million euros or the equivalent thereof in another currency. In the case of notes and for purposes of the above-mentioned limits, the outstanding balance of those issued in reliance on the delegation shall be computed. In the case of warrants, and also for the purpose of such limit, the sum of the premiums and exercise prices of each issuance shall be taken into account.

Furthermore, under the aforementioned delegation resolution, the shareholders at the Ordinary General Shareholders' Meeting of Telefónica, S.A. resolved to authorize the Board of Directors to guarantee, in the name of the Company, the issuance of the aforementioned instruments issued by the Companies belonging to its Group of Companies, within a maximum period of five years as from the date of adoption of the resolution.

Restrictions on the transferability of securities and/or voting rights

As for the existence of restrictions on the transfer of securities and/or voting rights, in accordance with article



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

26 of the Company's Bylaws, no shareholder may exercise a number of votes exceeding 10 percent of the total share capital with voting rights existing at any time, regardless of the number of shares held, all of the foregoing with full and mandatory submission to the provisions of the Law. In determining the maximum number of votes that each shareholder may cast, only the shares held by the shareholder in question shall be computed, not including those held by other holders who have delegated their representation to that shareholder, without prejudice to the application of the same percentage limit of 10% to each of the shareholders represented individually.

The limitation established in the preceding paragraph shall also apply to the maximum number of votes that may be cast -either jointly or separately- by two or more shareholder companies belonging to the same group of entities, as well as to the maximum number of votes that may be cast by an individual or legal entity that is a shareholder, and the entity or entities, also shareholders, that the former directly or indirectly controls.

For the purposes indicated in the preceding paragraph, in order to consider the existence of a group of entities, as well as the control situations indicated above, the provisions of section 18 of the Companies Act shall apply.

Establishing in the Bylaws the maximum number of votes that may be cast by the same shareholder or by shareholders belonging to the same group (article 26 of the Bylaws) is warranted because the purpose of such measure is to establish an appropriate balance and to protect the position of minority shareholders, preventing a possible concentration of votes on a small number of shareholders, which could affect the furtherance of the corporate interest or the interest of all the shareholders as a guide for the actions of the shareholders at the General Shareholders' Meeting. Telefónica believes that this measure does not constitute a mechanism to block public tender offers but rather a guarantee that the acquisition of control will require sufficient consensus among all the shareholders since, as is natural and may be seen from experience, potential offerors may condition their offer to the removal of such requirement.

In addition, and in accordance with section 527 of the Companies Act, at listed companies, bylaw provisions that directly or indirectly establish, in general terms, the maximum number of votes that may be cast by a single shareholder, companies belonging to the same group or those acting in concert with the foregoing shall cease to have effect when, following a public tender offer, the offeror has reached a percentage equal to or greater than 70 percent of the capital carrying voting rights, unless such offeror is not subject to equivalent neutralization measures or has not adopted them.

On the other hand, the provisions of Law 19/2003, of July 4, on the Legal System of Transfers of Capital and of Financial Transactions with Foreign Countries (the Law 19/2003) also apply, which provisions establish that the Government may decide the suspension of the regime of deregulation on foreign investments set out therein in the event of acts, businesses, transactions or operations that, because of their nature, form or conditions of performance, affect or may affect activities related, even if only occasionally, to public order or activities directly related to the national defense, or activities that affect or may affect public order, public safety and public health, as well as the provisions of Royal Decree 664/1999, of April 23, on foreign investments.

In addition, account should be taken of the latest amendments to Law 19/2003 (introduced by Royal Decree-Law 8/2020 of March 17, Royal Decree-Law 11/2020 of March 31, Royal Decree-Law 34/2020 of November 17, Royal Decree-Law 12/2021 of June 24, Royal Decree-Law 27/2021 of November 23, and Royal Decree-Law 20/2022 of December 27) which, in addition to maintaining the aforementioned regime, establishes the suspension of the liberalisation regime for certain investment operations, particularly affecting foreign direct investment in Spain in certain sectors, including the telecommunications sector. This regime establishes a compulsory process, based on reasons of security, public order and public health, which implies that the closure of certain investment operations in Spain is subject to prior administrative authorisation, when the circumstances provided for in the aforementioned regulation are met.

On the other hand, the shareholders at a General Shareholders' Meeting of Telefónica, S.A. have not resolved to adopt any neutralization measure in the event of a public tender offer in reliance on the provisions of the Securities Market Act.

4.2.2. Significant Shareholders

According to the information existing at the Company, there is no individual or legal entity that directly or indirectly, individually or jointly with others, exercises or may exercise control over Telefónica on the terms set out in section 5 of the Securities Market Act.

As of the closing date of fiscal year 2022, there are, however, certain shareholders holding interests that may be considered significant within the meaning of Royal Decree 1362/2007, of October 19, and which are the following:



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Name or corporate -	% voting rights attri	buted to shares	% of voting rights instrum	% of total voting	
name of shareholder	Direct	Indirect	Direct	Indirect	rights
Banco Bilbao Vizcaya Argentaria, S.A. (*)	4.85	0.02	0.00	0.00	4.87
CaixaBank, S.A. (**)	3.50	0.00	0.00	0.00	3.50
BlacRock, Inc.(***)	0.00	4.32	0.00	0.16	4.48

^(*) Based on the information provided by Banco Bilbao Vizcaya Argentaria, S.A. for the Annual Corporate Governance Report of Telefónica, S.A. for the 2022 financial year. Furthermore, according to the aforementioned information provided by BBVA, the percentage of economic rights attributed to the shares of Telefónica, S.A. owned by BBVA at December 31, 2022 amounts to 4.97% of the company's share capital.

Breakdown of indirect interest:

Name or corporate name of indirect owner	Name or corporate name of direct owner	% voting rights attributed to shares	% of voting rights through financial instruments	% of total voting rights
Banco Bilbao Vizcaya Argentaria, S.A.	BBVA Seguros, S.A. de Seguros y Reaseguros	0,02	0	0,02
CaixaBank, S.A.	Vida-Caixa, S.A. de Seguros y Reaseguros	0.00	0.00	0.00
BlackRock, Inc.	BlackRock Group	4.32	0.16	4.48

It is hereby stated for the record that Telefónica is not aware of the existence of family, commercial, contractual or corporate relationships (whether significant or not arising in the ordinary course of business) among the holders of significant interests in its share capital.

Below is a description of the commercial, contractual or corporate relationships existing between the holders of significant interests and Telefónica, S.A. and/or its Group of companies (except for those of little significance or arising in the ordinary course of business):

^(**) Based on information provided by CaixaBank, S.A. for the Annual Corporate Governance Report of Telefónica, S.A. for 2022.

^(***) Based on the information notified by BlackRock, Inc. to the CNMV on March 31, 2020, as updated per the share capital of Telefónica, S.A. as of December 31, 2022. Based on the Schedule 13G/A filed with the SEC, on October 7, 2022, BlackRock, Inc. beneficially owned 4.96% of Telefónica, S.A. shares (4.49% of voting rights).



- Strategy and growth model
 Non-financial Information statement
 Risks

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

Name of related party	Nature of relationship	Brief description
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Shareholding of Banco Bilbao Vizcaya Argentaria, S.A. (or any of the companies of its Group), together with Telefónica, S.A. and with CaixaBank, S.A., in Telefónica Factoring España, S.A., TFP, S.A.C., Telefónica Factoring Colombia, S.A., Telefônica Factoring do Brasil, Ltda., Telefónica Factoring México, S.A. de C.V., SOFOM, E.N.R., Telefonica Factoring Chile, S.A. (indirectly through Telefónica Factoring España, S.A.) and Telefónica Factoring Ecuador, S.A. (indirectly through TFP, S.A.C.).
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Shareholding of Ciérvana, S.L. (a company which belongs to Grupo BBVA), together with Telefónica Compras Electrónicas, S.L.U., in Adquira España, S.A.
Banco Bilbao Vizcaya Argentaria, S.A.	Contractual	Memorandum of understanding executed by Telefónica Digital España, S.L.U. with the aim of exploring a potential collaboration to offer loans to consumers and SME in Argentina, Colombia, and Perú.
Banco Bilbao Vizcaya Argentaria, S.A.	Contractual	Financial Collaboration Agreement signed with Banco Bilbao Vizcaya Argentaria, S.A., with special conditions for the Employees, Retirees and Pre-retirees group of the Telefónica Group.
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint venture agreement executed between Telefónica Digital España, S.L.U. and Compañía Chilena de Inversiones, S.L., an affiliated company of BBVA, related to the incorporation of a subsidiary in Colombia with the aim of commercializing loans to consumers and SME in such country. On January 5, 2021, this company was incorporated as a 50% joint venture between the two companies, under the name Movistar Consumer Finance Colombia, S.A.S.
CaixaBank, S.A.	Corporate	Shareholding of CaixaBank, S.A., with Telefónica, S.A. and with Banco Bilbao Vizcaya Argentaria, S.A. (or with any of the companies of its Group), in Telefónica Factoring España, S.A., TFP, S.A.C., Telefónica Factoring Colombia, S.A., Telefônica Factoring do Brasil, Ltda., Telefónica Factoring México, S.A. de C.V., SOFOM, E.N.R., Telefonica Factoring Chile, S.A. (indirectly through Telefónica Factoring España, S.A.) and Telefónica Factoring Ecuador, S.A. (indirectly through TFP, S.A.C.).
CaixaBank, S.A.	Corporate	Shareholding of Caixabank Payments & Consumer, E.F.C., E.P., S.A.U. (subsidiary of CaixaBank, S.A.) together with Telefónica, S.A., in Telefónica Consumer Finance, E.F.C., S.A.
CaixaBank, S.A.	Corporate	Shareholding of Caixabank Payments & Consumer, E.F.C., E.P., S.A.U. (subsidiary of CaixaBank, S.A.) together with Telefónica, S.A., in Telefónica Renting, S.A.
CaixaBank, S.A.	Contractual	Financial Collaboration Agreement signed with CaixaBank, S.A., with special conditions for the Employees, Retirees and Pre-retirees group of the Telefónica Group.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Similarly, below is a description of the relationships and/or positions of some of the Directors of Telefónica, S.A. with its significant shareholders:

Name or company name of related director or representative	Name of company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Mr. José María Abril Pérez	Banco Bilbao Vizcaya Argentaria, S.A.	Banco Bilbao Vizcaya Argentaria, S.A.	Formerly General Manager of Wholesale and Investment Banking in Banco Bilbao Vizcaya Argentaria, S.A.
Mr. Isidro Fainé Casas	CaixaBank, S.A.	CaixaBank, S.A.	-

Remarks

Mr. José María Abril Pérez

Name or company name of the shareholder represented or that has proposed their appointment: Banco Bilbao Vizcaya Argentaria, S.A.

Mr. Isidro Fainé Casas

Name or company name of the shareholder represented or that has proposed their appointment: CaixaBank, S.A.

4.2.3. Directors' Shareholdings

As of December 31, 2022, the total percentage of voting rights (attributed to shares and financial instruments) held by the Board of Directors was 0.366%.

Specifically, as of such date, and as an indication of their commitment to the Company, the interest in Telefónica, S.A. held by the Executive Chairman, Mr. José María Álvarez-Pallete López and by the Chief Operating Officer, Mr. Ángel Vilá Boix, amounted to 0.078% and to 0.041% of the total voting rights, respectively.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.3. General Shareholders' Meeting

GRI 2-9, 2-10

4.3.1. Shareholders' Rights

The Bylaws of Telefónica, S.A. provide for a single class of shares (common shares), giving all the holders thereof identical rights. There are no non-voting shares or shares, or a loyalty vote, carrying more than one vote or with privileges in the distribution of dividends, or reinforced quorum or qualified majorities other than those established by law.

There is no provision for the shareholders at a General Shareholders' Meeting having to approve decisions entailing an acquisition, disposition or the contribution to another company of essential assets or similar corporate transactions other than those established by law.

This section describes some of the main rights of the shareholders of the Company.

Right to receive information

The General Shareholders' Meeting is called as much in advance as required by law, through a notice published in, at a minimum, (i) the Official Gazette of the Commercial Registry or one of the widest circulation dailies in Spain, (ii) the website of the National Securities Market Commission and (iii) the Company's corporate website.

The notice published on the Company's corporate website remains accessible on a continuous basis at least until the holding of the General Shareholders' Meeting. Likewise, the Board of Directors may publish notices in other media, if it deems appropriate, in order to ensure public and effective dissemination of the call to meeting.

From the date of publication of the notice of the call to the General Shareholders' Meeting, the Company makes available to its shareholders the documents and information that must be provided to them in accordance with legal or bylaw-mandated requirements in connection with the various items included on the agenda; such items and documents are posted on the Company's website from the above-mentioned date. Notwithstanding the foregoing, shareholders may obtain such documents and information immediately and free of charge at the Company's registered office, and request that they be delivered or mailed to them free of charge, in the cases and on the terms established by law.

In addition, from the date of publication of the call to the General Shareholders' Meeting and until the fifth day prior to the date set for the holding of the meeting on first call, any shareholder may request in writing such

information or clarifications or ask such questions in writing as it deems relevant concerning the matters included on the Agenda of the call to meeting, or concerning the information accessible to the public that the Company may have provided to the National Securities Market Commission since the holding of the immediately preceding General Shareholders' Meeting, or concerning the auditor's report.

The Board of Directors will be required to provide in writing, until the day of the holding of the General Shareholders' Meeting, the requested information or explanations, as well as to reply, also in writing, to the questions asked. The replies to the questions and to the requests for information will be sent through the Secretary of the Board of Directors by any of the members of the Board or by any person expressly authorized by the Board of Directors for such purpose.

During the holding of the General Shareholders' Meeting, shareholders may request such information or explanations as they deem appropriate concerning the matters included on the Agenda or with respect to the information accessible to the public provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders' Meeting or concerning the auditor's report. In the event that it is impossible to satisfy the shareholder's right at that time, the Board of Directors will be required to provide such information in writing within seven days of the end of the General Shareholders' Meeting.

The Board of Directors will be required to provide the requested information as described in the two preceding paragraphs in the manner and within the periods established by law, except in those cases where (i) such information is unnecessary for the protection of the shareholder's rights or there are objective reasons to consider that it could be used other than for corporate purposes, or the dissemination thereof would harm the Company or its related companies; (ii) the request for information or explanations does not relate to matters included on the Agenda or, in the case of paragraph two of this subsection (Right to Receive Information), to information accessible to the public that was provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders' Meeting; and (iii) it is so established in statutory or regulatory provisions. The exception described in subsection (i) above shall not apply if the



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

information was requested by shareholders representing at least one-fourth of the share capital.

The replies to shareholders attending the General Shareholders' Meeting from a distance electronically and simultaneously and exercising their right to receive information through such procedure shall be provided, where applicable, during the meeting itself, or in writing, within seven days following the General Shareholders' Meeting.

Supplement to the call to the General Shareholders' Meeting and right to submit new proposals for agreement

Shareholders representing at least three percent of the share capital may request that a supplement to the call to the Ordinary General Shareholders' Meeting be published, including one or more items on the Agenda, provided the new items are accompanied by a rationale or, if appropriate, by a duly substantiated proposed resolution. In addition, and on the terms set forth in section 519 of the Companies Act (Ley de Sociedades de Capital), shareholders representing at least three percent of the share capital may, within five days following publication of the notice of the call to meeting, submit duly substantiated proposed resolutions on matters already included or that must be included on the Agenda. Such rights shall be exercised by means of duly authenticated notice, which must be received by the Company in accordance with the provisions of the Law.

Right to attend and to appoint a proxy

Shareholders holding at least 300 shares registered in their name in the respective book-entry register five days prior to the General Shareholders' Meeting and providing evidence thereof through the respective attendance card or certificate issued by the Company or by any of the Depositary Entities Members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR) or in any other form allowed by applicable legislation. may attend the General Shareholders' Meeting called.

Any shareholder having the right to attend may be represented at the General Shareholders' Meeting by another person, even if such person is not a shareholder. Proxies may be granted through the proxy forms printed on the attendance cards or in any other manner allowed by law, without prejudice to the provisions of the Companies Act regarding cases of representation by family members and the grant of general powers of attorney. The documents granting the proxy for the General Shareholders' Meeting shall include instructions concerning the direction of the vote. Unless the shareholder granting the proxy expressly states otherwise, it shall be deemed that such shareholder issues precise voting instructions in favor of the proposed resolutions submitted by the Board of Directors on the matters included on the Agenda. If there are no voting

instructions because the shareholders acting at the General Shareholders' Meeting could decide on matters that, while not included on the Agenda and therefore not known on the date on which the proxy is granted, might be put to a vote at the General Shareholders' Meeting, the proxy shall cast the vote in the direction the proxy considers best, taking into account the interest of the Company and that of the shareholder the proxy represents. The same provisions shall apply when the respective proposal or proposals submitted to a decision of the shareholders at the General Shareholders' Meeting were not made by the Board of Directors.

It is expressly stated for the record that the notice of call of the last Ordinary General Shareholders' Meeting expressly provided that unless the shareholder granting the proxy expressly stated otherwise, such shareholder would be deemed to issue precise instructions to vote against the respective resolution on any matter that, while not included on the Agenda and therefore not known on the date on which the proxy was granted, might be put to a vote at the General Shareholders' Meeting.

If the proxy document does not state the specific person to whom the shareholder grants his proxy, it shall be deemed to have been granted to the Chair of the Board of Directors of the Company or to the person who may replace him as Chair of the General Shareholders' Meeting. If the appointed proxy should be in a situation of conflict of interest regarding the vote on any of the proposals which, whether or not included on the Agenda, are submitted at the General Shareholders' Meeting and the shareholder granting the proxy has not issued precise voting instructions, the proxy shall be deemed to have been granted to the Secretary for the General Shareholders' Meeting.

Shareholders who are not holders of the minimum number of shares required to attend may also grant a proxy in writing with respect to such shares to a shareholder with the right to attend or form a group with other shareholders in the same situation until they have the necessary number of shares, and grant a proxy in writing to one of them.

Right to vote and adoption of resolutions

Every share present in person or by proxy at the General Shareholders' Meeting shall entitle the holder thereof to one vote.

Resolutions shall be adopted by simple majority, meaning that proposed resolutions will be approved when the number of votes in favor of each proposal is greater than the number of votes against it (regardless of the number of blank votes and abstentions), without prejudice to the reinforced voting quorums established in the law and in the Bylaws.

Rules for amending the Company's Bylaws



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The Bylaws and Regulations for the General Shareholders' Meeting of Telefónica confer upon the shareholders acting at a General Shareholders' Meeting the power to approve the amendment of the Bylaws (articles 15 and 5, respectively), subject to applicable legal provisions for all other matters.

The procedure for amending the Bylaws is established in sections 285 and seq. of the Companies Act, and must be approved at the General Shareholders' Meeting complying with the quorum and majorities required in sections 194 and 201 of the same law. In particular, if the General Shareholders' Meeting is summoned to deliberate on Bylaw amendments, including capital increases or reductions, on eliminating or restricting preemptive rights in respect of new shares and on the transformation, merger, spin-off or the global assignment of assets and liabilities and the relocation of the registered office abroad, then shareholders that own at least fifty percent of the subscribed capital with voting rights will have to be present or be represented by proxy on first call. If there is no sufficient quorum, the General Shareholders' Meeting will be held on second call, in which case at least twenty-five percent of the subscribed capital with voting rights will need to be present, either in person or by proxy. When shareholders that represent less than fifty percent of the subscribed capital with voting rights are present at the Meeting, either in person or by proxy, the resolutions referred to above may only be approved when two-thirds of the capital, present or represented by proxy at the Meeting, vote in favor of the resolution.

Pursuant to section 286 of the Companies Act, if the Bylaws are amended, the Directors or, if appropriate, the shareholders who made the proposal must draw up in full the text of their proposed amendment and a written report justifying the amendment, which must be made available to the shareholders when the General Shareholders' Meeting is called to deliberate on the amendment.

Furthermore, and pursuant to section 287 of the Companies Act, the notice calling the General Shareholders' Meeting must clearly state the items that might be amended, and note that all the shareholders are entitled to analyze the full text of the proposed amendment and the report on such amendment at the registered offices, as well as to request such documents to be delivered or sent to them free of charge.

Pursuant to section 291 of the Companies Act, when new obligations are established for the shareholders due to an amendment of the Bylaws, the resolution must be passed with the approval of the affected shareholders. Furthermore, if the amendment directly or indirectly affects a type of shares, or part of them, the provisions of section 293 of such Act shall apply.

The procedure for voting on proposed resolutions at the General Shareholders' Meeting is regulated in section 197

bis of the Companies Act and in the internal regulations of Telefónica (in particular, article 23 of the Regulations for the General Shareholders' Meeting). This article states, among other things, that when amendments are made to the Bylaws, each article or group of articles which is materially different will be voted on separately.

Corporate Website

Telefónica complies with applicable legislation and best practices in terms of the content of its website concerning Corporate Governance. In this respect, it fulfills both the technical requirements for access to and content of the Company website, including information on General Shareholders' Meetings, through direct access from the homepage of Telefónica, S.A. (www.telefonica.com) in the "Shareholders and Investors" section (https://www.telefonica.com/en/shareholders-investors/), which includes not only all of the information that is legally required but also information that the Company considers to be of interest.

4.3.2. Dialogue with the Shareholders

The Regulations for the General Shareholders' Meeting and the Regulations of the Board of Directors of Telefónica devote several of their sections to governing the channels whereby relations between the Board of Directors and the shareholders of the Company (both individual shareholders and institutional shareholders and investors) are established in order to thereby ensure the greatest possible transparency in such relations. It is further expressly provided that the Board of Directors undertakes to guarantee equal treatment in its relations with the shareholders. The purpose of the Company's actions in this area, based on the paramount standard of transparency, is the distribution of all public information generated by the Company, making it accessible to all its shareholders simultaneously and in a non-discriminatory manner, complying with their need for information and ensuring that published information satisfies the standards of quality, clarity and truthfulness.

In addition, and within this context, the Board of Directors of the Company, at its meeting held on November 25, 2015, approved the Policy on Information, Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors, the second and third edition of which was also approved by the Board at its meetings of November 4, 2019 and December 16, 2020, respectively, to include new developments and the latest trends on the matter. In the latest edition of December 16, 2020, the name of said Policy was changed to Disclosure, Contact and Engagement Policy of Telefónica, S.A. for shareholders, institutional investors and proxy advisors.

In connection therewith, and as provided in such Policy, the Board of Directors of Telefónica is the body responsible for establishing and supervising appropriate mechanisms of communication and relationship with



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

shareholders, institutional investors and proxy advisors that fully respect the rules prohibiting market abuse and that provide similar treatment to shareholders in the same position.

Thus, the Board of Directors, acting through its corresponding decision-making bodies, endeavors to defend, protect and facilitate the exercise of the rights of shareholders, institutional investors and the markets in general and, in particular, their right to information, within the framework of protecting the corporate interest, which is understood as the achievement of a profitable and sustainable business over the long-term, which fosters its continuity and the maximization of the economic value of the company, all in accordance with the following principles:

- a) Transparency, truthfulness, immediacy, equality and symmetry in the diffusion of economic/financial, nonfinancial and corporate information by dissemination thereof through the reporting and communication channels provided in this Policy, which contribute to maximizing the dissemination and quality of information available to the market, to investors and to other stakeholders.
- b) Published information shall be clearly written and must be true, complete in all material respects and comply with all applicable legal requirements, such that it reasonably provides a true and fair view of the financial and nonfinancial position, the profits/losses and the business of the Company in all material respects.
- c) Information shall be subjected to an internal control system of a Coordination and Control Committee, and to supervision by the Internal Audit directorate, the Audit and Control Committee, the Board of Directors and the External Auditor.
- d) Encouraging the engagement within the Company of shareholders and institutional investors, particularly by providing access to information relevant to the exercise by shareholders of their rights, mainly the rights to attend and vote at the General Meeting.
- e) Development of information disclosure tools that take advantage of new technology in order to communicate rapidly and effectively using economical means.
- f) Compliance with applicable law, particularly the Market Abuse Regulation, and the internal rules of the Company, especially the Internal Code of Conduct for Securities Markets Issues.

Telefónica disseminates to the market and communicates to its shareholders and institutional investors and to its other stakeholder groups, its information through various channels:

Communications to the National Securities
 Market Commission (Comisión Nacional del

Mercado de Valores) (CNMV) and other international official bodies

The Company sends to the CNMV all information that under applicable law is classified as privileged or material, periodic financial and non-financial information, and corporate information as required by law.

Likewise, the Company delivers each and every one of the communications that it has filed for these purposes with the CNMV to other foreign supervisory authorities and bodies in all markets on which its shares are admitted to listing. Information sent to the CNMV is immediately disseminated on the CNMV's website and is subsequently published on the Company's website.

Within this context, Telefónica mainly publishes the following financial, non-financial and corporate information: i) Communications of Inside Information and Other Relevant Information (ORI); ii) Quarterly results information; iii) Semi-annual results information; iv) Annual Information (Annual Financial Statements and Management Report, which includes the Statement of Non-financial Information, the Annual Corporate Governance Report (IAGC) and the Annual Report on Directors' Remuneration (IARC), together with the External Auditor's Report); and iv) Annual Informational Reports (including the Universal Registration Document filed on an annual basis with the CNMV, or the 20-F report, filed with the Securities and Exchange Commission (SEC) in the United States).

Corporate website of Telefónica

Access routes to the Shareholders and Investors and "Shareholders' Area" tabs of the corporate website are the following:

https://www.telefonica.com/en/shareholders-investors/

https://www.telefonica.com/en/shareholders-area/

In compliance with applicable legal provisions, the Company has a corporate website (www.telefonica.com), which is an official channel of communication to allow for the exercise by shareholders of the right to obtain information and to disseminate information of interest to investors and other stakeholders, favoring transparency, immediacy and the subsequent access to information. The information is published simultaneously in Spanish and English, with the Spanish version taking precedence in the event of any inconsistency.

Telefónica's corporate website also provides access to the following information; i) General information regarding the Company; ii) economic/financial and non-financial information; iii) Inside Information Communications and Other Relevant Information issued by the Company; iv) Share information; v) information on corporate governance; and vi) specific information for shareholders



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

(section "Shareholders' Area" of the corporate website) focused solely on minority shareholders.

In particular, the presentations of annual, semi-annual and quarterly results, as well as other types of significant institutional or economic/financial presentations, are published through Telefónica's corporate website.

Telefónica also streams webcasts and conference calls regarding presentations of quarterly results and other significant communications for the market, allowing access to shareholders, analysts and any other persons who so desire. Virtual events are also held for minority shareholders, which are hosted on the Zona-Shareholders website.

All documents required by applicable legal provisions regarding the call to and holding of General Shareholders' Meetings are also published on the corporate website, which promotes informed participation and the exercise of the rights to information and participation.

General Shareholders' Meeting

As already mentioned in preceding paragraphs, the Board of Directors encourages informed and responsible participation by the shareholders at the General Shareholders' Meeting, and adopts such measures and guarantees as may be appropriate to ensure that the shareholders at the General Shareholders' Meeting effectively perform their duties under the law and the Company's corporate governance principles.

In addition, from the call to the General Shareholders' Meeting, the shareholders can access the Office of the Shareholder, in order to resolve questions that might be raised and respond to and inform those persons who wish to take the floor.

The Office of the General Secretary of the Company, with the support of the Investor Relations, People and Sustainability Area, is responsible for maintaining ongoing contact and dialogue with proxy advisors, answering their questions regarding proposed resolutions submitted at the General Shareholders' Meeting and providing the clarifications they deem to be required, so that their voting recommendations can be based on a real understanding of the Company and its situation.

Likewise, Telefónica must also monitor the policies and recommendations of such proxy advisers, as well as international developments and trends in corporate governance, and evaluate the recommendations and principles issued by proxy advisers in relation to corporate governance standards, taking into account the particular circumstances of the Company and its environment and, in any event, the legal provisions that may apply to the Company.

 Relationships with shareholders, institutional investors and financial analysts The Disclosure, Contact and Engagement Policy of Telefónica, S.A. for Shareholders, Institutional investors and Proxy advisors requires the Company to inform, communicate with and respond appropriately to its shareholders and investors with transparency, truthfulness, immediacy, equality and symmetry in the dissemination of information. Telefónica communicates directly with its shareholders, institutional investors and financial analysts through the Investor Relations area.

This area, which includes the Office of the Shareholder, is in charge of and responsible for this communication, and therefore, any contact with shareholders, institutional investors or financial analysts must be channeled through it, and it will validate and coordinate any communication that it makes, whether verbal or written, requesting the participation of other areas of the Telefónica Group whose purview covers the issues for which the consultation is made, such as the Office of the General Secretary, People or Sustainability. Furthermore, the Group's Investor Relations department will coordinate communication by the various subsidiaries with the market in order to ensure that it is proper, consistent and coherent at all times.

a) Investor Relations

In charge of continuously responding to questions and suggestions made by institutional investors and financial analysts on an individualized basis through

- An e-mail address (ir@telefonica.com).
- A telephone number (+34 91 482 87 00) and a mailing address (Distrito Telefónica - Edificio Central Pl. 2ª C/ Ronda de la Comunicación s/n 28050 Madrid).
- In addition, to provide detailed reports on the evolution, strategy and results of the Company and to answer questions from analysts and institutional investors, informational meetings and roadshows are organized at the main financial centers worldwide. These meetings are held by both Investor Relations and Telefónica's management team, which are virtual when required, as for example in the context of the situation generated by the COVID-19.

During 2022, contact was maintained with 725 institutional investors, with a total of 11 roadshows, both in person and virtual.

Attendance at forums and conferences in the telecommunications sector or generally in Europe/Latin America and in Environmental, Social and Governance matters (ESG), is also a natural channel for Telefónica's communication with institutional investors. Thus, during 2022, Telefónica has been present at 12 sectoral or general conferences organized by bank.

There are also presentations to and meetings with analysts and institutional investors that delve into



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

strategic issues of the Company, which supplement the published information and may be necessary or appropriate to facilitate communication and the long-term creation of value.

Within this context and for some years now. Telefónica has an Engagement Program with the Company's main investors, informing them transparently and on an ongoing basis of, among other things, business strategy, financial performance, corporate governance (composition of the Board of Directors and Good Governance practices), remuneration and sustainability. In addition to Investor Relations, other areas of the Telefónica Group responsible for matters concerning which queries are received, such as the Office of the General Secretary, People or Sustainability, also participate in this program. The Company is committed to the main investors in ESG, and regularly makes telephone calls, roadshows and holds face-to-face meetings in London, Paris and USA, or in virtual format if necessary, mainly from COVID-19.

All these measures are used to coordinate and manage communication with the market in order to ensure that it is appropriate, consistent and coherent at all times.

Communication with institutional investors, analysts and shareholders may not take place during the periods prior to publication of the results of the Group or of subsidiaries that are subject to securities market rules.

b) Office of the Shareholder

Through the Office of the Shareholder, Telefónica ensures transparent, agile and fluid communications with its shareholders, providing the same information in time and form as that provided to institutional shareholders.

The Company distributes to all of them a communication service consisting of the sending of e-mails with information of interest regarding the Company, significant events, news, quarterly results, a monthly newsletter, the Acción Telefónica magazine, stock market information, etc. to encourage transparency and communication between the Company and its shareholders. This type of information is sent to shareholders who request this service and is available for viewing and or downloading at the "Shareholders' Area" section of the corporate website (www.telefonica.com/shareholders-area).

In the Shareholders' Area, in 2022 the "Shareholders Offers Area" where the shareholders can register to enjoy more than 400 discounts on various products and services of different recognized brands. These offers range from travel to training and culture, through health, sports, etc.

Also, this year, they have been included in the website "Shareholders' Area", a current affairs section that includes the most listened to podcasts and the most interesting current affairs blogs, both published by the company.

Another update of 2022 on the web is the offer of free training courses for shareholders about the most

outstanding subjects of the moment allowing them to improve their knowledge of the digital and financial world.

The Office of the Shareholder also holds periodic meetings with shareholders in the various Spanish provinces with the largest number of shareholders, reporting on the Company's strategy and the latest published results, thereby offering personalized service to shareholders and meeting the requirements of transparency in offering the same information to individual and institutional shareholders. Two-way communication is established between the Company and its shareholders at these meetings, where there can be an exchange of viewpoints. During 2022, these meetings have been held virtually. The virtual meetings are hosted on the "Zona-Shareholders" section of the website for viewing.

Personal communication is maintained with the shareholders throughout the year, by telephone, electronic, postal and virtual means, and especially upon the presentation of results and on occasion of the principal communications of privileged or significant information, such as distribution of dividends, calls to General Shareholders' Meetings, corporate transactions...

Furthermore, in order to improve dialogue between the Company and its shareholders, there may be periodic Informational Meetings in which the shareholders participate upon established terms in order to discuss current issues regarding the Telefónica Group that are considered to be of particular interest for this group. These issues can cover regulatory developments in the area of listed companies, aspects relating to the performance of the business or other issues.

The Company publishes the quarterly magazine "Acción Telefónica," with financial information that includes an explanatory summary of periodic public information of a financial and operational nature, interviews on current events and exclusive campaigns that can be accessed. It is available in digital format in the "Shareholders' Corner" and may also be viewed on IOS and Android devices by installing the respective app.

The Company also distributes to its shareholders a monthly newsletter with stock market information, new developments, technological advances, news, videos, offers, promotions, cultural visits, upcoming events, sponsorships, recognitions, etcétera. The newsletter includes links to a selection of blogs and podcasts published by the Company.

Upon the holding of the General Shareholders' Meeting, the channels of communication with shareholders are expanded to facilitate their participation therein. The Office of the Shareholder can be contacted directly through a form within a specific microsite for the Meeting. Shareholders can use this medium to ask questions relating to items on the agenda, the delivery of documentation relating thereto, and the procedure for participating in the General Shareholders' Meeting, either in person or by proxy, with a section of frequently asked questions and a virtual assistant to facilitate information



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

and an explanatory video of participation in the Meeting, as well as information on the communication channels with the Shareholders' Office: free telephone and email.

The channels for contacting Telefónica's Office of the Shareholder are:

- Toll-free information number (900 111 004 from Spain) open from 9:00 a.m. to 7:00 p.m., Monday to Friday, except national holidays. This call center is staffed by qualified personnel specializing in the economic/financial field. Information is provided regarding communications of privileged or significant information made by the Company, including the dividend policy, results and corporate transactions, among other things.
- E-mail address (accionistas@telefonica.com) for responding to questions and suggestions from the Company's shareholders. This channel of communication is attended to in Spanish as well as in English.
- Postal mail.

Distrito Telefonica, Edificio Central Pl. 2ª Ronda de la Comunicación s/n Madrid 20850, Spain

 Specific section for shareholders ("Shareholders' Area") on the corporate website.

www.telefonica.com/shareholders-area

Furthermore, throughout the year, the Office of the Shareholder collects and manages the suggestions and requests of the shareholders regarding other areas of the Telefónica Group, such as customer service, billing, sales, etc. and is thus a means for bringing the Company closer to the shareholders.

The engagement activities carried out in the year are indicated below:

- 4 virtual meetings and 21 telematic communications (Quarterly magazine, monthly newsletter, Shareholders' Meeting communications and informative call center) and more than 100 communications of relevant information and of cultural and informative interest to the shareholder.
- 14,000 shareholders contacted.

Social Media.

Telefónica's social media profiles: Twitter, Linkedin, YouTube, Instagram, Facebook and Flickr, etc., have become a channel for the communication of corporate, business, event and conference information.

In addition, and subject to securities market regulations on the communication of inside information, the Company may use social media to simultaneously communicate inside information as an additional or complementary channel to the CNMV, provided that the Company complies with the requirements of applicable legal provisions on the communication of inside information and other relevant information and with the other internal rules of the Company.

Mass Media.

Based on the circumstances, and every time, the Company consider the suitability of summoning the media for the presentation of its annual results, with the participation, when appropriate, of Telefónica's management team, in order to inform the media regarding the progress of the Company and its projects, always subject to the principles of non-disclosure of inside information and other relevant information that has not already been published and the equal treatment of shareholders.

4.3.3. Main Aspects of the 2022 Ordinary General Shareholders' Meeting

Attendance and celebration

The Ordinary General Shareholders' Meeting held on April 8, 2022 was held at the offices of Telefónica, S.A. located in Distrito Telefónica, Ronda de la Comunicación s/n, Auditorio del Edificio Central, giving the attendees the possibility to participate by telematic means, in accordance with the provisions of article 21 of the Bylaws and article 18 of the Regulations of the General Shareholders' Meeting. As a result of the health crisis caused by COVID-19 and in view of the possibility that, on the date scheduled for the General Shareholders' Meeting, there were regulatory restrictions or recommendations from health authorities affecting the mobility of people or their ability to hold a meeting, the Board of Directors of the Company recommended that shareholders or their representatives participate remotely in the General Meeting (by granting a proxy or casting a vote prior to the Meeting, or by attending the Meeting remotely) and follow the Meeting by audiovisual means through the corporate website of the Company, discouraging physical attendance.

To this end, the Company set up mechanisms on the corporate website to enable shareholders (or their proxies) to remotely attend the Ordinary General Shareholders' Meeting.

Similarly, and as at the Ordinary General Shareholders' Meetings of the Company held in 2019, 2020 and 2021, the 2022 Shareholders' Meeting was broadcast live on Telefónica's corporate website, which enabled shareholders not present, investors and interested persons in general to be fully informed of the results and the matters discussed.

Quorum and attendance figures

At the 2022 Ordinary General Shareholders' meeting, the quorum was 58.58%, higher percentage than that obtained at 2021 General Meeting, whose quorum amounted to 56.90%.

- 2. Non-financial Information statement

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors 6. Other information

3 Pieke

Such quorum breaks down as follows:

Attendance data

Date of	%	%	% distance		
general meeting	physically present	present by proxy	Electronic voting	Other	Total
08/04/2022	0.08%	56.26%	0.75%	1.49%	58.58%
Of which, free float	0.01%	37.35%	0.75%	0.16%	38.27%

Outcomes of the votes

All the items on the Agenda were approved by a majority; the percentage of affirmative votes was 94.55% on average.

The following table summarizes the resolutions approved at the 2022 Ordinary General Shareholders' Meeting and the results of the votes:

Item of the Agenda	Summary of the resolution	Votes in favour	Votes Against	Abstentions	Result of the Voting
1.1	Approval of the 2021 Annual Accounts and of the Management Report.	3,213,114,539 (99.3415%)	3,129,690 (0.0968%)	18,167,899 (0.5617%)	Passed
1.2	Approval of the Non-Financial Information Statement.	3,215,465,017 (99.4142%)	2,308,311 (0.0714%)	16,638,800 (0.5144%)	Passed
1.3	Approval of the management of the Board of Directors.	3,183,708,495 (98.4324%)	30,773,382 (0.9514%)	19,930,251 (0.6162%)	Passed
II.	Approval of the Proposed Allocation of the Profits/Losses.	3,202,319,417 (99.0078%)	15,540,639 (0.4805%)	16,552,072 (0.5117%)	Passed
III.	Re-election of the Statutory Auditor for fiscal year 2022.	3,207,048,660 (99.1540%)	3,549,251 (0.1097%)	23,814,217 (0.7363%)	Passed
IV.1	Re-election of Mr. José María Abril Pérez as Proprietary Director.	3,108,722,304 (96.1140%)	80,259,670 (2.4814%)	45,430,154 (1.4046%)	Passed
IV.2	Re-election of Mr. Ángel Vilá Boix as Executive Director.	3,141,120,768 (97.1157%)	47,831,574 (1.4788%)	45,459,786 (1.4055%)	Passed
IV.3	Re-election of Ms. María Luisa García Blanco as Independent Director.	2,872,990,677 (88.8257%)	339,287,842 (10.4899%)	22,133,609 (0.6843%)	Passed
IV.4	Re-election of Mr. Francisco Javier de Paz Mancho as Other External Director.	2,699,492,991 (83.4616%)	489,079,559 (15.1211%)	45,839,578 (1.4172%)	Passed
IV.5	Ratification of the appointment of Ms. María Rotondo Urcola as Independent Director.	3,164,379,796 (97.8348%)	24,672,481 (0.7628%)	45,359,851 (1.4024%)	Passed
V.	Setting the number of members of the Board of Directors at fifteen.	3,205,540,003 (99.1073%)	10,119,834 (0.3129%)	18,752,291 (0.5798%)	Passed
VI.	Reduction of share capital through the cancellation of own shares.	3,214,300,166 (99.3782%)	3,872,764 (0.1197%)	16,239,198 (0.5021%)	Passed
VII.1	Shareholder compensation by means of a scrip dividend.	3,203,106,528 (99.0321%)	20,503,619 (0.6339%)	10,801,981 (0.3340%)	Passed
VII.2	Shareholder compensation by means of the distribution of dividends.	3,220,618,644 (99.5735%)	3,286,117 (0.1016%)	10,507,367 (0.3249%)	Passed
VIII.	Approval of a Global incentive share purchase Plan for shares.	3,199,417,436 (98.9181%)	16,529,836 (0.5111%)	18,464,856 (0.5709%)	Passed
IX.	Delegation of powers.	3,214,302,257 (99.3783%)	3,392,461 (0.1049%)	16,717,410 (0.5169%)	Passed
X.	Consultative vote on the 2021 Annual Report on Director Remuneration.	1,723,151,319 (53.2756%)	1,387,366,467 (42.8939%)	123,894,342 (3.8305%)	Passed

The full texts of the resolutions adopted by the General Shareholders' Meeting held on April 8, 2022 may be viewed on the Company's corporate website and on the CNMV website (Communication of Other Relevant Information sent on April 8, 2022).

Communication with shareholders

During 2022 and especially on the occasion of the Ordinary General Shareholders' Meeting, Telefónica



- Strategy and growth model
 Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

continued to strengthen communications, service and relationships with its shareholders and investors:

- Call Center (900 111 004 Shareholder Call Center):
- 24.152 queries responded to during 2022.
- 7.500 queries during the period of the General Shareholder' Meeting.
- Shareholders' Mailbox:
- 19.511 e-mails responded to during 2022.
- 8.200 e-mails during the period of the General Shareholders' Meeting.

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.4. The organisational structure of the administrative bodies

GRI 2-9, 2-10, 2-11, 2-13, 2-17, 2-18

4.4.1. Board of Directors





- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Structure of the Board of Directors (size, composition, diversity, procedure for selecting Directors)

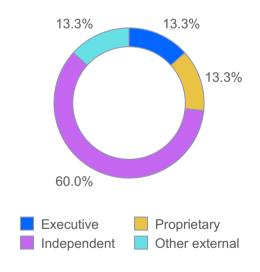
Size

As of December 31, 2022, and on the date of issuance of this Report, the Board of Directors was and is composed of 15 members, whose profiles and professional career appear in Section related to "Professional career of the members of the Board of Directors". Specifically, at the 2022 Annual General Meeting, the number of members of the Board of Directors was set at 15 in accordance with the provisions of article 29 of the Bylaws.

The number of members of the Board of Directors is sufficient to achieve the Board's effective and operational functionality, according to the organizational structure of the Group.

Likewise, it is important to bear in mind that the Board of Directors of the Company has six Committees (the Executive Commission and five Advisory Committees), thereby ensuring the active participation of all of its Directors.

Composition by category of Director



- Executive Directors: 2/15
- · Independent Directors: 9/15

The independent Directors represent 60% of the Board of Directors, which complies with corporate governance recommendations, which require that the management body consist of a large majority of external Directors and that the number of independent Directors represent at least one-half of the total number of Directors. It should be noted that these recommendations have been expressly incorporated in the Regulations of the Board of Directors of the Company, as amended on December 16, 2020.

- Proprietary Directors: 2/15
- · Other External Directors: 2/15

Mr. Peter Erskine and Mr. Francisco Javier de Paz Mancho are considered to be Other External Directors, for the following reasons:

Mr. Peter Erskine was appointed a Director of Telefónica, S.A. in 2006, such that, more than 12 years after his appointment, and in accordance with the provisions of section 529 *duodecies* of the Companies Act, in 2018 he was reclassified from Independent Director to Other External Director.

Similarly, Mr. Francisco Javier de Paz Mancho was appointed a Director of Telefónica, S.A. in 2007, such that, more than 12 years after his appointment, and in accordance with the provisions of section 529 duodecies of the Companies Act, in 2019 he was reclassified from Independent Director to Other External Director.

Diversity

Telefónica S.A. has a Director Selection Policy as of November 25, 2015. This Policy was updated i) on December 13, 2017 to include the Diversity Policy applicable to the Board of Directors and, consequently, was renamed the Diversity Policy in relation to the Telefónica, S.A. Board of Directors and the Selection of Directors, and ii) on December 16, 2020, in order to adapt this Policy to the applicable regulations and, specifically, to the recommendations of the Good Governance Code of the National Securities Market Commission (CNMV), which was partially reformed in June 2020.

This Policy ensures that the procedures for selecting Directors are based on a prior analysis of the of the skills required by the Board of Directors, and favors thereof diversity of knowledge, training and professional experience, age, disability and gender on the Board, free from any implicit bias that might imply any form of discrimination, particularly on account of gender, disability or any other personal condition, and that facilitate the selection of female Directors in a number that allows the achievement of an equal balance of women and men.

In accordance with the provisions of said Policy, the selection of candidates to serve as a Director at Telefónica adheres to the following principles:

- 1. An effort is made to ensure that the Board of Directors has a balanced composition, with a large majority of non-Executive Directors and an appropriate mix of Proprietary and Independent Directors, while also endeavoring to ensure that Independent Directors have sufficient weight within the Board of Directors.
- 2. The Board of Directors endeavors to ensure that the procedures for the selection of Directors favor diversity of knowledge, training, professional experience, age and



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

gender, and are free from any implicit biases that might imply any form of discrimination. All of the foregoing is in order for the Board of Directors to have an appropriate, diverse and balanced composition overall, which i) enriches analysis and debate, ii) contributes multiple viewpoints and positions, iii) favors decision-making taking into account the nature and complexity of the business, as well as the social and environmental context, iv) gives it maximum independence, and v) allows for compliance with legal requirements and good governance recommendations in relation to composition and suitability required to be met by the members of the various internal oversight Committees of the Board of Directors.

In particular, the Company's Board of Directors promotes the aim of inclusion of female Directors, as well as measures that promote the Company having a significant number of female senior executive officers based on good governance recommendations, all without prejudice to the key principles of merit and ability that must govern all of the Company's staff selection processes.

The Board of Directors regularly evaluates the degree of compliance and effectiveness of this Policy and, in particular, the percentage of female directors at any given time.

In particular, and on the occasion of the proposal for reelection, ratification and appointment of the members of the Board of Directors submitted to the 2022 Ordinary General Shareholders' Meeting, both the Nominating, Compensation and Corporate Governance Committee and the Board of Directors verified compliance with the Policy, taking into account, among other issues, diversity of knowledge, training, experience and age.

- 3. The process for the selection of candidates to serve as Directors is also based on a prior analysis of the skills required by the Board of Directors. Such analysis is conducted by the Company's Board of Directors, with the advice and with the required report or proposal, if applicable, of the Nominating, Compensation and Corporate Governance Committee.
- 4. In the case of re-election or ratification, the report or proposal of the Nominating, Compensation and Corporate Governance Committee contains an evaluation of the work and effective dedication to the position for the most recent period of time during which the proposed Director has been in that position, as well as the Director's ability to continue to perform satisfactorily.
- 5. The required report or proposal of the Nominating, Compensation and Corporate Governance Committee is published upon the call to the General Shareholders' Meeting at which the ratification, appointment or reelection of each Director is submitted.

Furthermore, the Board of Directors and the Nominating, Compensation and Corporate Governance Committee ensure, within the scope of their respective powers, that the candidates chosen for the position of Director are persons of recognized probity, competence and experience, who are willing to devote the time and effort required for the performance of their duties, exercising rigorous care in the selection of the persons called upon to serve as Independent Directors.

Accordingly, all the candidates for the position of Director shall be professionals of integrity, whose conduct and professional career is in line with Telefónica's Responsible Business Principles.

Additionally, candidates for Director shall be considered in particular if they have professional experience, in telecommunications, technology, consumer awareness, ESG knowledge, marketing, accounting, auditing, risk management (both financial and non-financial) and international experience and team leadership in multinationals will be valued.

On the other hand, with regard to gender diversity, the Company has purposely sought out women who fit the required professional profile. In this regard, the Company has made a qualitative leap in terms of the percentage represented by female Directors with respect to the total number of members of the Board of Directors, having gone from 11.11% in 2016 to 33.33% at this time.

All of the measures and procedures that have been agreed upon and adopted by the Board of Directors and by the Nominating, Compensation and Corporate Governance Committee in order to include on the Board a number of females that enables a balanced presence of women and men, and to prevent the selection procedures from being affected by any implicit bias that would hinder the appointment of female Directors, have been initiated and implemented by the Company.

Similarly, in the change in the composition of the Company's Board of Directors that was implemented in 2017, at the proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors unanimously appointed Ms. Carmen García de Andrés as an Independent Director of Telefónica. This appointment was ratified by the shareholders at the Ordinary General Shareholders' Meeting of Telefónica held on June 9, 2017.

Likewise, in 2018 the Company's Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, unanimously appointed Ms. María Luisa García Blanco as an Independent Director of Telefónica. This appointment was ratified by the shareholders at the Ordinary General Shareholders' Meeting of Telefónica held on June 8, 2018.

On the other hand, in 2019 the Company's Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, unanimously appointed Ms. Claudia Sender Ramírez and Ms. Verónica Pascual Boé as Independent Directors of Telefónica. These appointments were ratified by the Ordinary General Shareholders' Meeting of Telefónica held on June 12, 2020,



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

at which both were appointed as Directors for the statutory term of 4 years.

Finally, in 2021, the Board of Directors of the Company unanimously appointed, at the proposal of the Nominating, Compensation and Corporate Governance Committee, Ms. María Rotondo Urcola as an independent Director of Telefónica. This appointment was ratified by the Ordinary General Shareholders' Meeting of Telefónica held on April 8, 2022, at which she was appointed Director for the statutory term of 4 years.

It should also be noted that the same criteria and principles that the Company applies to the process of selecting and appointing the members of the Board of Directors are applied to the appointment of the Directors who are part of the various Committees of the Company's Board of Directors, as well as, with regard to gender diversity, the appointment of female senior executive, all without prejudice to the key principles of merit and ability that must govern all of the Company's staff selection processes.

In this regard, in 2021 the Nominating, Compensation and Corporate Governance Committee verified compliance with the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. and the selection of Directors on the occasion of the appointment of Ms María Rotondo Urcola as Director and the appointment of the members of the Committees of the Board of Directors.

Likewise, compliance with the aforementioned Policy was verified on the occasion of the proposal for re-election, ratification and appointment of Directors submitted and approved by the Ordinary General Shareholders' Meeting of April 8, 2022.

On the occasion of the proposed re-election, ratification and appointment of the members of the Board of Directors, information was provided to shareholders on the diversity criteria and objectives in the reports prepared by the Board of Directors and the Nominating, Compensation and Corporate Governance Committee.

In this regard, the Nominating, Compensation and Corporate Governance Committee verified that, in the process of preparing and approving the proposals for reelection, ratification and appointment of Directors that were submitted to the General Shareholders' Meeting in 2022, the provisions of the Diversity Policy in relation to the Board of Directors of Telefónica, S.A. were complied with, following an adequate and rigorous procedure to ensure that the proposals that were made, as appropriate, by the Board of Directors (in relation to proposals affected nonindependent Directors, following a favorable report from the Nominating, Compensation and Corporate Governance Committee) or by the Nominating, Compensation and Corporate Governance Committee (in relation to proposals that affected independent Directors) were in the best interests of the Company.

Lastly, with regard to performance evaluation, the Board of Directors conducts an annual evaluation of its operation

and of that of its Committees, assessing in particular the application, in terms of the composition and competencies of the Board of Directors, of the various aspects of diversity included in the aforementioned Policy, as well as the performance of the Chairman of the Board of Directors, of the Company's Chief Executive Officer and of the various Directors, paying special attention to the heads of the various Board Committees and adopting appropriate measures for their improvement. This assessment is carried out every 3 years with the assistance of an external consultant, whose independence is verified by the Nominating, Compensation and Corporate Governance Committee. In this regard, as indicated at the end of this section under the title "Evalutation of the Board and of its Committees", for the evaluation corresponding to the financial year 2020, the Company has been supported by Egon Zehnder as external advisor.

The Diversity Policy in relation to the Telefónica, S.A. Board of Directors and the Selection of Directors is public and may be viewed on the corporate website (www.telefonica.com).

Procedure for the Selection, Appointment, Reelection and Cessation of Directors

Selection and Appointment

As mentioned earlier, Telefónica's Bylaws provide that the Board of Directors shall consist of a minimum of five and a maximum of twenty members, who shall be appointed by the shareholders at the General Meeting. Specifically, at the Annual General Meeting of April 8, 2022, the number of members of the Board of Directors was set at fifteen in accordance with article 29 of the Bylaws.

The Directors shall hold office for a maximum period of four years and may be re-elected one or more times for periods of the same maximum length. On a provisional basis, the Board of Directors, in accordance with the provisions of the Companies Act and of the Bylaws, may fill existing vacancies on an interim basis.

In this regard, it should be noted that on certain occasions, when it is indispensable because vacancies have occurred after the General Shareholders' Meeting was held, and in accordance with the provisions of the Companies Act, Directors are appointed on an interim basis, subject to ratification at the next General Shareholders' Meeting.

Otherwise, and in any event, the proposals for the appointment of Directors must comply with the provisions of the Bylaws and of the Regulations of the Board of Directors, must be preceded by the corresponding report of the Nominating, Compensation and Corporate Governance Committee and, in the case of Independent Directors, by the corresponding proposal. In any event, the proposals must be accompanied by a supporting report from the Board of Directors assessing the competence, experience and merits of the proposed candidate.

In this regard, and in accordance with the responsibilities assigned to the Nominating, Compensation and Corporate Governance Committee, this Committee must evaluate the



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

skills, knowledge and experience required on the Board of Directors, defining the functions and competencies required of the candidates who must fill each vacancy, and evaluating the specific amount of time and dedication that will allow them to perform their duties effectively.

With regard to the latter, and in accordance with the provisions of Article 29.2 of the Regulations of the Board of Directors, those who are members of more than five Boards of Directors of other companies other than Telefónica, S.A. and its Group companies may not be appointed to the Company's Board. For these purposes, a) all Boards of Directors of companies that are part of the same Group shall be counted as a single board of directors; and b) those Boards of Directors of asset-holding companies or those that constitute vehicles or complements for the professional exercise of the Director himself/herself, his/her spouse or person with a similar relationship, or his/her closest relatives, shall not be counted. As an exception, and for duly justified reasons, the Board of Directors may exempt the Director from this prohibition.

Similarly, Nominating, Compensation and Corporate Governance Committee must submit to the Board of Directors the proposals for the appointment of Independent Directors, whether for their appointment on an interim basis or for their submission to a decision by the shareholders at the General Shareholders' Meeting, along with the proposals for the re-election or separation of said Directors at the General Shareholders' Meeting. Likewise, it must report on the proposals for the appointment of the remaining Directors of the Company, whether for their appointment on an interim basis or for their submission to a decision by the shareholders at the General Shareholders' Meeting, along with the proposals for their re-election or separation at the General Shareholders' Meeting.

Similarly, it shall explain the category of each Director by the Board of Directors at the General Shareholders' Meeting at which the shareholders must make or ratify their appointment. Furthermore, such category shall be reviewed annually by the Board, after verification by the Nominating, Compensation and Corporate Governance Committee, and a summary of this review shall be included in the Annual Corporate Governance Report.

In any case, and in the event of the re-election or ratification of Directors at the General Meeting, the report of the Nominating, Compensation and Corporate Governance Committee or, in the case of Independent Directors, the proposal of said Committee, shall contain an assessment of the work and effective dedication to the position during the last period of time in which it was held by the proposed Director, as well as its ability to continue to do so.

The Board of Directors and the Nominating, Compensation and Corporate Governance Committee shall ensure, within the scope of their respective powers, that the candidates proposed for the position of Director are persons of recognized probity, competence and experience, who are willing to devote the time and effort required for the performance of their duties, exercising rigorous care in the

selection of the persons called upon to serve as Independent Directors.

The Board of Directors must endeavor to ensure that the procedures for the selection of its members promote diversity with respect to issues such as age, gender, disability, knowledge, education and professional experience, and are free from any implicit bias that might imply any form of discrimination, and, in particular, facilitate the selection of female Directors in such numbers as to achieve a balanced presence of women and men.

In this regard, and as mentioned earlier, at its meeting of November 25, 2015 the Board of Directors approved a Policy for the Selection of Directors, which on December 13, 2017, was updated to include the Diversity Policy applicable to the Board of Directors, such that it was renamed the Diversity Policy in relation to the Telefónica, S.A. Board of Directors and the Selection of Board Members. Likewise, on December 16, 2020, the Board of Directors approved an update of this Policy to reflect the most recent regulatory standards and, in particular, to adjust it to the provisions of the Recommendations of the Good Governance Code of the National Market Securities Commission (CNMV) regarding diversity.

The Nominating, Compensation and Corporate Governance Committee shall verify, on an annual basis, compliance with the Policy for the diversity of the Board of Directors and selection of Directors, and shall include the corresponding summary in the Annual Corporate Governance Report and in such other documents as are deemed appropriate. In addition, the Board of Directors shall periodically evaluate the degree of compliance with and effectiveness of the Policy and, in particular, the percentage of female Directors at any given time, and a detailed description of the Policy, as well as the objectives set in this respect and the results obtained, shall be included in the Annual Corporate Governance Report. Likewise, the Nominating, Compensation and Corporate Governance Committee may also propose to the Board of Directors any updates and proposed improvements of the Policy it deems appropriate.

Re-election

The Company's Directors may be re-elected one or more times for periods of the same length as that of the initial period.

In the same way as proposals for appointments, proposals for the re-election of Directors must be preceded by the corresponding report of the Nominating, Compensation and Corporate Governance Committee, and, in the case of Independent Directors, by the corresponding proposal.

Cessation or Removal

Directors shall cease to hold office when the time period for which they were appointed expires, or when so decided by the shareholders at the General Meeting in the exercise of the powers legally granted to them.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

When a Director ceases to hold office before the end of his or her term, whether by resignation or by resolution of the General Meeting, the Director must adequately explain in a letter which will be sent to all members of the Board of Directors the reasons for leaving office or, in the case of non-executive Directors, the Director's views as to the grounds for removal by the shareholders acting at the General Meeting.

In addition, to the extent material to investors, the Company shall as soon as possible make public the cessation in office, including sufficient information as to the reasons or circumstances stated by the Director.

The Board of Directors shall not propose the removal of any Independent Director prior to the end of the bylaw-mandated period for which the said Director was appointed, unless due grounds therefor are present, as acknowledged by the Board at the proposal of the Nominating, Compensation and Corporate Governance Committee. Specifically, due grounds shall be deemed to exist when the Director has failed to perform the duties inherent in his position.

The removal of Independent Directors may also be proposed as a result of Public Tender Offers, mergers or other similar corporate transactions that entail a change in the structure of the company's capital.

Likewise, in accordance with the provisions of article 12 of the Regulations of the Board of Directors, the Directors must tender their resignation to the Board of Directors and formalize, where appropriate, and depending on the circumstances, such resignation in the following cases:

- When they cease to hold the executive positions with which their appointment as Directors was associated, or when the reasons for their appointment no longer exist
- b. When they are affected by any of the cases of incompatibility or prohibition provided by Law.
- When they are severely reprimanded by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfill any of their obligations as Directors.

Likewise, Directors must inform when they are subject to circumstances, whether or not related to their conduct within the Company itself, that may adversely affect the standing or reputation thereof, and particularly when they are under investigation in any criminal matter, in which case the Directors must notify the Company of the progress of any such legal proceedings. Having been notified or otherwise become aware of any of the circumstances mentioned in this paragraph, the Board of Directors shall examine the case as soon as possible and, based on the specific circumstances, and after a report from the Nominating, Compensation and Corporate Governance Committee, shall determine the measures to be adopted, including the request for the resignation of said Director, which it must accept, or the proposal to resign at the next

General Meeting. Any such matter shall be included in the Annual Corporate Governance Report unless special circumstances justify otherwise, which circumstances must recorded in formal minutes. Those obligations shall be without prejudice to any information that the Company must disseminate at the time that any such measures are adopted.

In this regard, and in compliance with the provisions of the aforementioned Article 12.3 of the Board of Directors' Regulations, the Director Mr Isidro Fainé Casas notified Telefónica of his procedural situation in relation to the Preliminary Proceedings of Summary Trial 96/2017, before the Central Court of Instruction number 6 of the National High Court, and which was reported in the 2021 Annual Corporate Governance Report. It is noted that, in January 2023, the National High Court confirmed the dismissal of the case

Neither the Bylaws nor the Regulations of the Board establish any limit as to the age of the Directors.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Professional background of the members of the Board of Directors

MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ

Executive Chairman

Executive Director



Joined the Board in 2006.

Nationality: Spanish. Born in 1963 in Madrid, Spain.

Education: Degree in Economics from the Complutense University of Madrid. He also studied Economics at the Free University of Brussels, in Belgium. He holds an International Management Programme from IPADE and an Advance Research Degree from the Complutense University of Madrid. He also holds an Advanced Studies Diploma from the University Complutense of Madrid.

Experience: He began his professional career at Arthur Young Auditors in 1987, before joining Benito & Monjardín/ Kidder, Peabody & Co. in 1988. In 1995, he joined the Compañía Valenciana de Cementos Portland (CEMEX) as head of the Investor Relations and Analysis Department. In 1996, he was promoted to Chief Financial Officer in Spain, and in 1998 to Chief Administration and Finance Officer of the CEMEX Group Indonesia and to a member of the Board of CEMEX Asia Ltd. In February 1999, he joined the Telefónica Group as Chief Financial Officer of Telefónica Internacional S.A.U., and in September of the same year he became Chief Financial Officer of Telefónica S.A. In July 2002, he was appointed Executive Chairman of Telefónica Internacional S.A.; in July 2006, General Manager of Telefónica Latinoamérica; and in March 2009 Chairman of Telefónica Latinoamérica. In September 2011 he was named Executive Chairman of Telefónica Europe, and in September 2012 he was appointed Chief Operating Officer of Telefónica S.A.

He is member of the Board of Telefónica S.A., since July 2006 and Chairman & CEO of Telefónica, S.A. since April 8, 2016.

Other relevant positions: He is currently Chairman of the Telefónica Foundation, Trustee of the Profuturo Foundation, member of the Advisory Council of SEAT, S.A., Director of VMED O2 UK Ltd, Chairman of the Board of the GSMA and member of the Board of Trustees of "la Caixa" Banking Foundation.

Board Committees of which he is a member: The Executive Commission (Chairman).

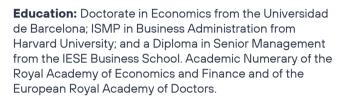
MR. ISIDRO FAINÉ CASAS

Vice Chairman

Proprietary Director

Joined the Board in 1994.

Nationality: Spanish. Born in 1942 in Manresa, Spain.





Other relevant positions: He is currently Chairman and Member of the Executive Commission of the Board of Trustees of the Bancaria Caixa d'Estalvis i Pensions de Barcelona Foundation, la "Caixa", Chairman of the Board and of the Executive Commission of Criteria Caixa, S.A.U. and of Caixa Capital Risc SGEIC, S.A., Chairman of the Board of Directors of Inmo Criteria Caixa, S.A.U.; Special Advisory of The Bank of East Asia Limited; Chairman of the Spanish Confederation of Savings Banks (CECA), and of the World Savings Bank Institute (WSBI); Vice-President of the European Savings Banks Group (ESBG); President of the Spanish Confederation of Senior Officers and Executives (CEDE) and of the Spanish Chapter of the Club of Rome, Deputy-Chairman of the Royal Academy of Economic and Financial Sciences and Founder of the Financial Circle; and Member of the Boards of Trustees of the Prado National Museum and of the Carlos Slim Foundation.

Board Committees of which he is a member: The Executive Commission (Vice Chairman).





- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MR. JOSÉ MARÍA ABRIL PÉREZ

Vice Chairman

Proprietary Director



Joined the Board in 2007.

Nationality: Spanish. Born in 1952 in Burgos, Spain.

Education: Degree in Economics from the Commercial University of Deusto, and a professor for nine years at said university.

Experience: Between 1975 and 1982 he was the Chief Financial Officer of Sociedad Anónima de Alimentación (SAAL). Thereafter, and until joining the Banco Bilbao Vizcaya Argentaria Group, he held the position of Chief Financial Officer of Sancel-Scott Iberica. In 1985 he joined Banco Bilbao as Director of Corporate Banking Investment. Subsequently, from January to April 1993, he was the Executive Coordinator of Banco Español de Crédito, S.A. In 1998, he was appointed General Manager of Industrial Group, and in 1999, a member of the Management Committee of Grupo BBV. He has been a Director, among other companies, at Repsol, Iberia and Corporación IBV, Ibermática, S.A. and Vice-Chairman of Bolsas y Mercados Españoles (BME). In 2002 he was appointed General Director of Wholesale and Investment Banking and a Member of the Executive Committee of Banco Bilbao Vizcaya Argentaria, S.A.

Other relevant positions: He is currently Director of Arteche Lantegi Elekartea, S.A.

Board Committees of which he is a member: The Executive Commission (Vice Chairman) and the Strategy and Innovation Committee (Member).

MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR

Vice Chairman and Lead Independent Director

Independent Director



Joined the Board in 2016.

Nationality: Spanish. Born in 1951 in Isaba (Navarre), Spain.

Education: Degree in Economics and Actuarial Sciences from the University of the Basque Country, and Professor of Quantitative Social Security Techniques at the Bilbao School of Economic Sciences of said university for several years.

Experience: He has been Director and General Manager of Allianz-Ercos, and General Manager of the BBVA Group (Head of Wholesale Business: Global Investment Banking, Global Corporate Banking, Business Banking, Administrative Banking, Local Credit Bank, Asset Management, Banking in Europe, Insurance and Estate Planning, E-Business, and the Industrial and Real Estate Group). He has also been a member of the Board of Directors of Banco Sabadell (Vice-Chairman); Repsol, S.A.; ACS Servicios, Comunicaciones y Energía, S.L.; Banco Guipuzcoano, S.A. (Chairman); Grupo Empresarial ENCE, S.A.; Sevillana de Electricidad, S.A.; Hidroeléctrica del Cantábrico; Metrovacesa; and Abertis Infraestructuras, S.A.

Other relevant positions: He is currently member of the Board of Directors of ACS Actividades de Construcción y Servicios, S.A.; Dragados, S.L. and Calcinor, S.L. He is also Trustee of the Foundation Novia Salcedo, and Director of the Advisory Council of the Deusto Business School, and of the McKinsey Advisory Council.

Positions in other companies within the Telefónica Group (no executive duties): He is Director of Telefónica Audiovisual Digital, S.L.U. In addition, he is member of the Advisory Board of Telefónica España.

Board Committees of which he is a member: The Executive Commission (Vice Chairman), the Nominating, Compensation and Corporate Governance Committee (Chairman), and the Audit and Control Committee (Member).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MR. ÁNGEL VILÁ BOIX

Chief Operating Officer

Executive Director



Joined the Board in 2017.

Nationality: Spanish. Born in 1964 in Barcelona, Spain.

Education: Degree in Industrial Engineering from the Polytechnic University of Catalonia in Barcelona, and an MBA from Columbia Business School where he studied with a Fulbright La Caixa fellowship.

Experience: He joined Telefónica in 1997, assuming successively the positions of Controller of the Group, CFO of Telefónica Internacional, Director of Corporate Development and General Manager of Finance and Corporate Development. In 2015 he was appointed General Manager of Strategy and Finance. Before joining Telefónica, he developed his professional career at Citigroup, McKinsey & Co., Ferrovial and Planeta. In the financial sector, he was a member of the Board of Directors of Banco Bilbao Vizcaya Argentaria (BBVA) and of the Advisory Panel of Macquarie MEIF Infrastructure Funds.

In the TMT (Technology, Media and Telecom) sector, he was the Chairman of Telefónica Contenidos, Vice-Chairman of Telco S.p.A. (Italy) and a member of the Board of Endemol, Digital+, Atento, Telefónica Czech, CTC Chile, Indra SSI and Terra Lycos.

Other relevant positions: He is currently Trustee of the Telefónica Foundation, and Director of VMED O2 UK Ltd.

Positions in other companies within the Telefónica Group (no executive duties): He is member of the Advisory Boards of Telefónica España and Telefónica Tech.

Board Committees of which he is a member: The Executive Commission (Member).

MR. JUAN IGNACIO CIRAC SASTURAIN

Member

Independent Director



Joined the Board in 2016.

Nationality: Spanish. Born in 1965 in Manresa, Spain.

Education: Degree and doctorate in Physics from Universidad Complutense de Madrid. Areas of specialization: Quantum Optics, Quantum Computing and Communication.

Experience: In terms of his professional experience, he has been: Full Professor of the University, Department of Applied Physics, University of Castilla La Mancha (1991-1996) and Professor, Institut für Theoretische Physik, Leopold Franzens Universität Innsbruck (1996-2001). Likewise, among other activities, he has served on advisory boards and scientific committees of several international research centers in the United States (Harvard, Maryland, MIT), Asia (Tsinghua, Singapore, Kyoto) and Europe (Switzerland, Russia), as well as in the BBVA Foundation. He has also been a member of the Editorial Board of several national and international Physics journals.

Other relevant positions: He is currently Co-Director of the Center for Quantum Sciences and Technologies in Munich (since 2019); Director of the Max Planck International School of Quantum Sciences and Technologies (since 2016); "Honorarprofessor", Technical University of Munich (since 2002); Director of the Theory Division, Max Planck Institut für Quantenoptik; member of the Max Planck Society (since 2001); the Founder and Editor of the journal Quantum Information and Computation (since 2001); and member of the Scientific Committee of the La Caixa Foundation.

Positions in other companies within the Telefónica Group (no executive duties): He is member of the Advisory Board of Telefónica Tech, and member of the Security Advisory Council of Telefónica Ingeniería de Seguridad.

Board Committees of which he is a member: The Strategy and Innovation Committee (Member), the Sustainability and Quality Committee (Member), and the Regulation and Institutional Committee (Member).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MR. PETER ERSKINE

Member

Other External Director



Joined the Board in 2006.

Nationality: English. Born in 1951 in London, United Kingdom.

Education: Degree in Psychology from the University of Liverpool. Doctor *honoris causa* from the University of Reading.

Experience: He began his professional career in the marketing area at Polycell and at Colgate Palmolive. He worked for several years in the MARS Group before being appointed European Vice-Chairman of Mars Electronics. In 1990 he was appointed Vice-Chairman of Marketing and Sales at UNITEL. Between 1993 and 1998 he held several high-level positions in BT, including that of Director of BT Mobile and that of Chairman and Chief Executive Officer of Concert. In 1998 he was appointed General Manager of BT Cellnet. Subsequently, in 2001, he was appointed director and Chief Executive Officer of O2. Plc. (now known as Telefónica Europe Plc.). In 2006 he became Chairman of this company, serving until December 31, 2007, day he was appointed a non-Executive Director. In January 2009 he joined the Board of Ladbrokes Plc. as a non-Executive Director and was then appointed Chairman in May 2009. In December 2015 he left that position, having played a leading role in the merger of Ladbrokes Plc. with Gala Coral Group. He was a member of the Supervisory Board of Telefónica Deutschland Holding AG since May 2016 until December 2021.

Other relevant positions: He is currently Chairman of the BRAINSTORM charity, which focuses on funding brain tumor research. In addition, he is Director of VMED O2 UK Ltd.

Board Committees of which he is a member: The Executive Commission (Member), the Strategy and Innovation Committee (Chairman), and the Nominating, Compensation and Corporate Governance Committee (Member).

MS. CARMEN GARCÍA DE ANDRÉS

Member

Independent Director

Joined the Board in 2017.



Education: Degree in Economics and Business Administration from Universidad Pontificia de Comillas, ICADE.



Experience: She joined PricewaterhouseCoopers in 1985 and was promoted to Director in 1995, becoming a partner of the firm in the year 2000. Since then, she has held several positions of responsibility at Landwell Lawyers and Tax Advisors, and in the Tax Law Area of PwC. Specializing in advising large companies, she has been a representative of the Spanish firm in the International Group of Indirect Taxation Specialists for more than 6 years. Since 1998, the scope of her work has consisted essentially of advising multinational companies established in Spain with strong international involvement. She has been a professor of International Taxation at ESADE and a member of the Spanish Association of Tax Consultants. From 2004 to 2007, she was a Managing Partner in the Gran Consumo, Distribución, Industria y Servicios de Madrid, with more than 30 specialists in a variety of legal and tax-related fields. Between 2005 and 2007 she headed the Women in PwC Diversity Program. From 2013 to April 2017, she has been Chairwoman of the Foundation Youth Business Spain. She was Chairwoman of the Foundation Tomillo Tiétar and a member of its Board of Trustees, as well as a member of the Board of Trustees of the Youth Business Spain Foundation. Besides, she was a member of the Board of Directors of the collective initiative Juntos por el empleo de los más desfavorecidos.

Other relevant positions: Since 2006, she is currently member of the Trust of the Foundation Tomillo, becoming the Managing Director of this institution in March 2008, and its Executive Chairwoman since 2014. Since June 2011, she is a member of the Board of Directors of the Spanish Association of Foundations, currently serving as its Treasurer and member of the Executive Committee. She is a member of the Board of Trustees of the Foundation Secretariado Gitano, of the Foundation Somos F5, and of the Foundation Xavier de Salas. She is a co-founder of the Foundation Aprendiendo a Ser and has been its trustee since December 2018. Likewise, she collaborates as a mentor in professional development programs for women.

Board Committees of which she is a member: The Audit and Control Committee (Member), the Sustainability and Quality Committee (Member), and the Regulation and Institutional Affairs Committee (Member).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MS. MARÍA LUISA GARCÍA BLANCO

Member

Independent Director

Joined the Board in 2018.

Nationality: Spanish. Born in 1965 in Córdoba, Spain.

Education: Law degree from the University of Córdoba (Spain).

Experience: Government attorney (1992 promotion), on leave since October 2013. She was Assistant General Manager of Constitutional Law and Human Rights, and the government attorney heading the Department of Constitutional Law and Human Rights. Representative of the Kingdom of Spain to the European Court of Human Rights. Coordinator and leader of the Spanish Delegation to various United Nations Committees in Geneva (2002-2013). Other noteworthy activities include: Secretary of the Board of Directors of the State Society of Agricultural Infrastructures of the North (SEIASA DEL NORTE) and of its Audit and Control Committee (1999-2010); member of the Board of Directors of the State Society of Agricultural Infrastructures (SEIASA) (2010-2013); Director of the State Water Company of the North Basin (ACUANORTE) (2009-2012) and of the State Water Company of the Basins of Spain (AcuaEs) (2012-2013); and coordination and cooperation activities for the promotion and defense of Human Rights in Uruguay (2006), Colombia (2007 and 2008), Chile (2009), and Guatemala (2010).

Other relevant positions: Founding Partner of the firm of Salama García Blanco, whose major areas of activity include: administrative constitutional law, advising and providing technical protection for credit institutions, civil and commercial procedure, and arbitration (Arbitrator in the Spanish Court of Arbitration, in the Madrid Court of Arbitration and in the Civil and Commercial Court of Arbitration -CIMA-). Director of Ibercaja Banco, S.A. Member of the CIMA Governance and Control Committee. Chairwoman of the Experts Committee of 65YMAS.COM.

Positions in other companies within the Telefónica Group (no executive duties): She is member of the Advisory Board of Telefónica España.

Board Committees of which she is a member: The Nominating, Compensation and Corporate Governance Committee (Member), the Sustainability and Quality Committee (Chairwoman), and the Regulation and Institutional Affairs Committee (Member).



Member

Independent Director

Joined the Board in 2016.

Nationality: Austrian. Born in 1957 in Villach, Austria.

Education: Degree in Economics from the Vienna University of Economics, and in Business Administration from the Chinese University of Hong Kong. MBA from the Vienna University of Economics, and completion of the Harvard Business School Advanced Administration Program. Honorary doctorate in Engineering from Michigan State University; honorary doctorate from the Slovak University of Engineering in Bratislava.

Experience: Former Chairman of the Supervisory Board of OMV AG (Austria). From March 2014 to March 2016, he was the CEO of Renova Management AG (Switzerland). Former Chairman and CEO of Siemens AG. He was previously the President of Global Human Health; a member of the Executive Board of Merck & Co., Inc.; Chief Operating Officer of GE Healthcare Bio-Sciences, a member of the Corporate Executive Council of GE; and Director of Operations and a member of the Board of Amersham Plc. He held executive leadership positions at Aventis and Hoechst. He also served as Chairman of the Board of Directors of the Siemens Foundation. Likewise, he was Chairman of the Board of Directors of Sulzer AG until April 2022.

Other relevant positions: He is currently a member of the Supervisory Board of Royal Philips, a Director of Thyssen-Bornemisza Group AG (Switzerland), and a non-executive member of the Board of Directors of Doha Venture Capital LLC, in Qatar.

He is also an emeritus member of the Advisory Board of the Economic Development Board of Singapore and a member of the International Advisory Board of Bocconi University, as well as a honorary professor at Tongji University (Shanghai).

Positions in other companies within the Telefónica Group (no executive duties): He is Chairman of the Supervisory Board of Telefónica Deutschland Holding AG (since April 2020).

Board Committees of which he is a member: The Executive Commission (Member), the Audit and Control Committee (Chairman), and the Nominating, Compensation and Corporate Governance Committee (Member).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MS. VERÓNICA PASCUAL BOÉ

Member

Independent Director

Joined the Board in 2019.

Nationality: Spanish and French. Born in 1979 in Barcelona, Spain.

Education: Degree in Aeronautical Engineering from the Polytechnic University of Madrid. Master in Business Administration (MBA) from the Collège des Ingénieurs de Paris, and Executive Master in Positive Leadership and Strategy (EXMPLS) from the IE Business School. She also completed several postgraduate courses at INSEAD, Stanford, and the Harvard Business School.

Experience: She is an entrepreneur who has led for 18 years a Group of companies linked to the digital transformation led by ASTI Mobile Robotics Group, a company based in Spain, France, Germany and the United States. Since August 2021, after integrating ASTI Mobile Robotics into ABB Robotics, she has moved to the position of Global Manager of Robótica Móvil Autónoma until January 2023. She began her professional career at the international level in the Human Resources Strategic Management Department of the Bouygues multinational industrial group. In 2004, she joined the family company ASTI, holding various management positions at that company. By the end of 2006, she was its General Manager, and in 2008, she opted to acquire the said company. She had previously held a variety of positions, including, among others: Sponsor and Founder of the Digital Innovation Hub of Burgos, through ASTI of DIHBU (2018); Chairwoman of the Industry Working Group 4.0 of the Governing Authority of Castile and León (2016-2018); Chairwoman of the Industry Committee 4.0 and Vice-Chairwoman of Talent Development at AMETIC (2016-2018); Member of the Advisory Board of the Quality Agency of the University System (2015-2016); Member of the Advisory Board of the EAE Business School (2015-2016); Member of the Governing Board of APD Castilla y León (2014-2015); Member of the Board of Directors of Empresa Familiar Castilla y León (2001-2013).

Other relevant positions: She is Chairwoman of ASTI Tecnología y Talento Foundation and Director of General de Alquiler de Maquinaria, S.A. (GAM). She currently leads ALBP Corp.

Positions in other companies within the Telefónica Group (no executive duties): She is member of the Advisory Board of Telefónica Tech.

Board Committees of which she is a member: The Strategy and Innovation Committee (Member).



Member

Other External Director



Joined the Board in 2007.

Nationality: Spanish. Born in 1958 in Valladolid, Spain.

Education: Degree in Information and Advertising. Studied law. Senior Business Management Program at the IESE (University of Navarre).

Experience: From July 2016 to December 2021, he has been Chairman of Telefónica Ingeniería de Seguridad, S.A. From April 2018 to April 2021 he has been a member of the Board of Directors of Telefónica Móviles de Argentina, S.A. From July 2020 to May 2021 he has been a member of the Board of Directors of Pegaso PCS, S.A. of C.V. (Mexico). From September 2016 to July 2020, he was Director of the Board of Directors of Telefónica Móviles México, S.A. From September 2014 to March 2016 he was the Chairman of Telefónica Gestión de Servicios Compartidos España, S.A.U. From July 2006 to November 19, 2014 he was a member of the Executive Committee of the Superior Council of Chambers. From 2008 to May 10, 2018 he was a Director of Telefónica Argentina, S.A. From December 2008 to December 2012 he was the Chairman of Atento Inversiones y Teleservicios, S.A.U. From June 2004 to December 2007 he was the Chairman of the MERCASA National Company. He was also Deputy Chairman and Director of Corporate Strategy of the Grupo Panrico Donuts; General Manager of Internal Trade at the Ministry of Commerce and Tourism; General Secretary of the Consumers' Union of Spain (UCE); Chief Executive Officer of the magazine Ciudadano; General Secretary of Juventudes Socialistas; and a member of the Executive Board of the PSOE. He has also held the following positions and responsibilities: Director of Túnel del Cadí; President of the Pan y Bollería Marca Employers' Group (COE); Director of Mutua de Accidentes de Zaragoza (MAZ); Director of the Grupo Panrico; Head of the Commercial Distribution Monitoring Office of the Ministry of Commerce and Tourism; member of the Economic and Social Council and of its Standing Committee; and Director of Tabacalera, S.A.

Positions in other companies within the Telefónica Group (no executive duties): He is Director of Telefónica Brasil, S.A. and of Telefónica Audiovisual Digital, S.L.U. He is also member of the Advisory Boards of Telefónica España and Telefónica Hispanoamérica.

Board Committees of which he is a member: The Executive Commission (Member), the Regulation and Institutional Committee (Chairman), the Nominating, Compensation and Corporate Governance Committee (Member), and the Sustainability and Quality Committee (Member).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MR. FRANCISCO JOSÉ **RIBERAS MERA**

Member

Independent Director

Joined the Board in 2017.

Nationality: Spanish. Born in 1964 in Madrid, Spain.

Education: Degrees in Law and in Economics and Business Administration from Universidad Pontificia de Comillas (ICADE E-3), Madrid.

Experience: He began his professional career holding a variety of positions in Gonvarri Group, as Director of Corporate Development and later as its Chief Executive Officer. In 1997 he created Gestamp Automoción, and since then he has served as its Executive Chairman, creating over time what is now the Grupo Gestamp, a global leader in metal components for the automotive industry. He has also been member of the Board of Directors of General de Alquiler de Maquinaria, S.A. (GAM) and Chairman of the Endeavor Foundation in Spain.

Other relevant positions: He is currently the Executive Chairman of Gestamp Automoción. He is also a member of the Board of Directors of CIE Automative and of Wallbox, N.V. Furthermore, he is a member of the management bodies of other companies within Grupo Gestamp, and of companies in the Acek family holding group, including companies in the Groups Gonvarri, Acek Energías Renovables e Inmobiliaria Acek. He is also Chairman of SERNAUTO (Asociación Española de Proveedores de Automoción) and of the Spain-China Council Foundation.

MS. MARÍA **ROTONDO URCOLA**

Member

Independent Director

Joined the Board in 2021.

Nationality: Spanish. Born in 1964 in Madrid, Spain.

Education: Degree in Economic Science and Business Studies from Universidad Complutense of Madrid. She has received complementary training at various institutions such as ESG Academy/Foretica, IESE, IC-A, EEC, IMD, NYU, Harvard, Boston College, among others.

Experience: In terms of her professional experience, it is highlighted by having spent the last 10 years at Banco Santander (2006-2016) as Global Head of Telecommunications, Media and Technology at Santander Global Banking and Markets. Previously (1989-2006), at Santander Investment Sociedad de Valores y Bolsa, she was an investment analyst specialized in various sectors, particularly the telecommunications sector, Macroeconomist, and Director of European Analysis. She has also been an internal trainer at Banco Santander and speaker in several forums as well as a collaborator with several publications (Fide Digital Currencies in 2020, Gaptel, others). She was also an independent Director of Indra (2017-2020). She served on the Advisory Board of the Instituto de Empresa (IE) "Transformation with Purpose", and of Hotelab.

Other relevant positions: She is currently an Independent Director of CACEIS Bank Spain and Santander CACEIS Latam Holdo (since 2019), and an Independent Director of Libertas 7. She also teaches classes on Special Operations Communication in the Master's Degree in Investor Relations at Bolsas y Mercados Españoles (BME). She is also Co-Director and lecturer in the Sustainability Programme at the Instituto de Empresa (IE) SYCA, where she teaches classes on corporate governance and sustainability.

Board committees of which she is a member:

Sustainability and Quality Committee (Member) and Audit and Control Committee (Member).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

MS. CLAUDIA SENDER RAMÍREZ

Member

Independent Director

Joined the Board in 2019.

Nationality: Brazilian. Born in 1974 in São Paulo, Brazil.

Education: Degree in Chemical Engineering from the Polytechnic School of the University of São Paulo, and a Master's degree in Business Administration (MBA) from the Harvard Business School in Boston.

Experience: She has held various positions with the following entities, among others: (i) Director of Yduqs University, formerly known as Estácio (from 2019 to 2021); (ii) Latam Airlines Group: Vice-President for Customer Relations (2017-2019); CEO of LATAM Brazil (2013-2017); Vice-President of LATAM Brazil (2011-2013); (iii) at Whirlpool, S.A.: Vice-President of Marketing (2009-2011); Division Director of Marketing (2007-2009); and Director of Strategic Planning (2005-2007); and (iv) at Bain & Company Brazil: Consultant specializing in Strategy (1998-2005).

Other relevant positions: She is currently Director of Holcim Ltd (since 2019); Director of Gerdau, S.A. (since 2019); Director of Amigos do Bem (since 2017), a Brazilian NGO dedicated to the eradication of poverty in Northwestern Brazil; Director of Embraer, Empresa Brasileira de Aeronáutica, S.A. (since 2021); and Director of Metalúrgica Gerdau, S.A. (since 2021).

Positions in other companies within the Telefónica Group (no executive duties): She is member of the Advisory Boards of Telefónica Tech and Telefónica Hispanoamérica.

Board Committees of which she is a member: The Sustainability and Quality Committee (Member) and the Strategy and Innovation Committee (Member).

Functions and Operation of the Board of Directors

General functions of the Board of Directors

The Board of Directors is the highest management and representative body of the Company. As such it is empowered, within the scope of the corporate purpose defined in the Bylaws, to perform any legal acts or transactions for purposes of management and disposition, under any title, except for those reserved by law or by the Bylaws exclusively to the shareholders at a General Shareholders' Meeting.

The foregoing provisions notwithstanding, the Board of Directors is configured basically as a supervisory and control body, entrusting the day-to-day management of the Company's business to the executive bodies and to the management team.

The Board of Directors cannot delegate those powers that the law or the Bylaws reserve to its own exclusive purview, or those other powers that are necessary for the responsible exercise of its basic function of supervision and control, or the powers delegated to it by the shareholders at a General Shareholders' Meeting, unless such subdelegation is expressly authorized.

Specifically, the Board of Directors cannot, under any circumstances, delegate the following powers:

- a) Supervision of the effective operation of the Committees that it has created and of the activities of the delegated bodies and of the Officers that it has designated.
- b) Determination of the Company's general policies and strategies.
- c) Authorization or waiver of the obligations arising from the duty of loyalty, in accordance with the provisions of of the Law, in the Bylaws and in the Regulations of the Board of Directors.
- d) Its own organization and operation.
- e) Preparation of the Annual Accounts and their submission at the General Shareholders' Meeting.
- f) Preparation of any type of report that by law must be presented to the management body, provided that the transaction to which the report refers cannot be delegated.
- g) Appointment and removal of the Company's Chief Operating Officers, as well as the establishment of the terms of their contracts.
- h) Appointment and removal of the Officers who are to report directly to the Board or to any of its members, as well as the establishment of the basic conditions of their contracts, including their compensation.
- Decisions regarding the compensation of the Directors, within the framework of the Bylaws and of the compensation policy approved by the shareholders at the General Shareholders' Meeting.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

j) The call to the General Shareholders' Meeting and the preparation of the agenda and the proposed resolutions.

- k) The policy regarding the Company's own shares.
- The powers delegated by the shareholders at the General Shareholders' Meeting to the Board of Directors, unless subdelegation of such powers was expressly authorized by the shareholders.
- m) Approval of the strategic or business plan, the annual management and budgetary goals, the investment and finance policy, the corporate social responsibility and sustainability policy or dividend policy.
- n) Determination of the risk control and risk management policy, including tax-related risks, and supervision of the internal information and control systems.
- o) Determination of the corporate governance policy of the Company and of the Group; its organization and operation; and, in particular, the approval and modification of its internal Regulations.
- Approval of the disclosure, contact and engagement policy for shareholders, institutional investors and proxy advisers, including the policy on communication of economic/financial, non-financial and corporate information.
- q) Approval of the diversity policy in relation to the Board of Directors and the selection of directors.
- Approval of the financial information that the Company must periodically disclose because of its status as a listed company.
- s) Definition of the structure of its Group of companies.
- t) Approval of investments or transactions of all kinds that, because of their high amount or special characteristics, are of a strategic nature or entail a special tax risk, unless their approval is within the purview of the shareholders at the General Shareholders' Meeting.
- a) Approval of the creation or acquisition of interests in special-purpose entities or entities that are domiciled in countries or territories that are considered to be tax havens, as well as any other transactions of a similar nature that, due to their complexity, might diminish the transparency of the Company and its Group.
- v) The approval, subject to a report from the Audit and Compliance Committee, of related-party transactions under the terms established in Article 39 of the Board Regulations, unless their approval corresponds to the General Meeting.

The Company's Board of Directors may delegate the approval of transactions between companies forming part of its group that are carried out within the scope of ordinary management and under market conditions, as well as transactions entered into under contracts whose standard conditions are applied *en masse* to a large number of customers, carried out at prices or rates

established on a general basis, and whose amount does not exceed 0.5% of the net turnover of the company, determined in accordance with the rules of calculation laid down in the Law.

In any event, when duly justified urgent circumstances arise, the decisions corresponding to the foregoing matters may be adopted by the delegated bodies or persons and must be ratified at the next meeting of the Board of Directors that is held after the adoption of the decision.

Allocation of positions and duties

The Board of Directors of Telefónica, S.A. has implemented a corporate governance structure that ensures the effective fulfillment of its duties and responsibilities.

This structure is configured basically in the following way:

Chief Executive Officer - Mr. José María Álvarez-Pallete López

The Chairman of the Board of Directors holds the position of chief executive of the Company, with responsibility for effective guidance of the business activities, always in accordance with the decisions and criteria set by the shareholders at the General Shareholders' Meeting and by the Board of Directors.

As Chief Executive Officer, all of the powers and duties of the Board of Directors are expressly delegated to him, except for those that cannot be delegated, whether by law, the Bylaws or the Regulations of the Board of Directors, article 5.4 of which establishes the powers that are reserved to the Board of Directors and that cannot be delegated. In addition to such delegation of powers, the Company's CEO is granted specific (non-general) powers to carry out specific transactions that have been approved by the Company.

· Chief Operating Officer - Mr. Ángel Vilá Boix

The powers of the Board of Directors associated with the conduct of the business and with the fulfillment of the highest executive duties in all of the Company's business areas are delegated to the Chief Operating Officer, except for the powers that cannot be delegated, whether by law, the Bylaws or the Regulations of the Board of Directors. In addition to such delegation of powers, the Company's Chief Operating Officer is granted specific (non-general) powers to carry out specific transactions that have been approved by the Company.

Lead Independent Director - Mr. José Javier Echenique Landiríbar

The Lead Independent Director performs, among others, the following duties and tasks:

a) Coordinates the work of the External Directors, in order to protect the interests of all of the Company's shareholders; reflects the concerns of the said Directors; and meets with them when he deems it appropriate.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

b) When appropriate, he may ask the Chairman of the Board to call a meeting of the Board of Directors, in keeping with Good Governance standards.

- c) He may request that certain matters be included on the Agenda of the meetings of the Board of Directors that have already been called.
- d) Directs the evaluation carried out by the Board of Directors of its Chairman.
- e) He may preside over meetings of the Board of Directors, in the absence of the Chairman and of the Vice
- f) Maintains contacts with investors and shareholders in order to know their views, for the purpose of forming an opinion regarding their concerns, particularly with regard to the Company's corporate governance.
- g) Coordinates the Chairman's succession plan.
- General Secretary and Secretary of the Board of Directors - Mr. Pablo de Carvajal González

The Secretary of the Board of Directors assists the Chairman of the Board in the fulfillment of his duties, and ensures the proper functioning of the Board of Directors, with very particular attention to providing to the Directors the necessary advice and information; keeping the company records; properly reflecting in the minute books the proceedings of the meetings of the Board of Directors; and attesting to its resolutions.

The Secretary of the Board also sees to the formal and substantive legality of the activities of the Board of Directors and to their compliance with the Bylaws and with the Regulations for the General Shareholders' Meeting and of the Board of Directors, ensuring that the good governance recommendations adopted by the Company and in force at any time are duly taken into account.

The Secretary of the Board is also the General Secretary of the Company. Mr. Pablo de Carvajal González is also Telefónica's Global Director of Regulatory Affairs and Head of the Security Area.

The Board of Directors also has a Deputy Secretary, Mr. Antonio García-Mon Marañés, who assists the Secretary and replaces him in the performance of his duties in the event of his absence or inability. Mr. García-Mon is also Deputy General Secretary and Director of Corporate Legal Services.

Neither the Secretary nor the Deputy Secretary of the Board have the status of Directors.

· Committees of the Board of Directors

As of December 31, 2022, and on the date of issuance of this Report, the Board of Directors had and has an Executive Commission and five advisory or control committees, whose composition, duties and powers are described in detail in advance.

Operation of the Board of Directors

Both the Bylaws and the Regulations of the Board specify that the Board of Directors shall meet routinely once a month, and, at the initiative of the Chairman, as often as he deems it appropriate for the proper functioning of the Company.

During fiscal year 2022 the Telefónica Board of Directors held 14 meetings, each lasting between three and one-half and four and one-half hours, depending on the topics discussed. Likewise, it should be noted that one of these meetings corresponds to the strategic off site session that the Board of Directors holds annually to analyze the company's strategy and its impact on the business developed by the Telefonica Group.

The meetings of the Board of Directors have been held in mixed format. At all these meetings, the Secretary of the Board of Directors attested to the identity of all the attendees.

The power to call a meeting of the Board of Directors and, if appropriate, to draw up the Agenda of the Board's meetings rests with the Chairman of the Board of Directors, who must however call a meeting when requested to do so by three Directors who indicate the issues to be discussed.

A meeting of the Board of Directors may also be called by at least one-third of its members, with an indication of the Agenda, if, after the submission of a request to the Chairman of the Board of Directors, the Chairman, without just cause, has not called the meeting within a period of one month

The Company adopts the measures that are necessary in order for the Directors to have, whenever possible and sufficiently in advance, the necessary information, which shall be drawn up and oriented specifically toward the preparation of the meetings of the Board and of its Committees. In no case shall its compliance be waived on the grounds of the importance or confidential nature of the information, except under absolutely exceptional circumstances.

In this regard, and in accordance with the provisions of articles 18 and 20 of the Regulations of the Board of Directors, the Board of Directors and its Committees shall draw up a calendar of the meetings to be held during the year. Such calendar may be modified by resolution of the Board itself or of the corresponding Committee, or pursuant to a decision by its Chairman, in which case the modification must be disclosed to the Directors as soon as possible.

The Board and its Committees also have an Action Plan that contains a detailed description and the frequency of the activities to be carried out in each fiscal year, according to the powers and duties assigned to them.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Similarly, all of the meetings of the Board and of the Committee have a pre-established Agenda, which is communicated at least three days before the date on which the meeting is scheduled to be held, along with the call to the meeting. The Agenda for each meeting clearly indicates the items regarding which the Board of Directors or the Executive Commission must make a decision or adopt a resolution.

With the same goal, in general, the documentation associated with the Agenda for the meetings is made available to the Directors sufficiently in advance. In this regard, and in compliance with the provisions of article 19 of the Regulations of the Board of Directors, the Chairman of the Board of Directors organizes the discussions, seeking and encouraging the active participation of all of the Directors in the deliberations, safeguarding the unconstrained statement of their viewpoints. Similarly, with the assistance of the Secretary, the Chairman ensures that the Directors receive beforehand sufficient information to deliberate on the items on the Agenda. He also ensures that sufficient time is devoted to the discussion of strategic issues and stimulates debate during the meetings, safeguarding the unconstrained statement of viewpoints by the Directors.

To facilitate the provision of all of the information and clarifications that may be necessary regarding some of the issues to be addressed, the main officers of the Group attend essentially all of the meetings of the Board and of its Committees, along with the speakers who are deemed appropriate, for the presentation of matters lying within their purview.

Furthermore, and in general, the Regulations of the Board (article 27) expressly provide that the Directors are vested with the broadest powers for obtaining information about any aspect of the Company and to examine its books, records, documents and other background materials relating to corporate activities. The exercise of this right of information is channeled through the Chairman or the Secretary of the Board of Directors, who handle requests from the Directors, either providing the information directly to the Directors or placing them in touch with the proper contact persons at the appropriate organizational level.

The Board of Directors can validly hold a meeting when a majority of its serving members are present or represented at the meeting. The Directors must personally attend the meetings of the Board of Directors. If, under exceptional circumstances, they are unable to do so, they shall ensure that the proxy they give to another member of the Board of Directors includes, insofar as possible, the appropriate instructions. Non-executive Directors can delegate their proxy only to another non-executive Director. Such delegations may be made by letter, mail or in any other way that ensures the certainty and validity of the proxy, in the opinion of the Chairman of the Board of Directors (article 19 of the Regulations of the Board of Directors and article 34.4 of the Bylaws).

In all cases, resolutions are adopted by an absolute majority of the votes of the Directors who are present at the meeting, either in person or by proxy, except in those instances in which, for certain resolutions to be valid, the law, the By-Laws or the Regulation of the Board of Directors requires the favorable vote of a larger number of Directors.

Board Committees

Both the Bylaws and the Regulations of the Board provide for an Executive Commission of the Board of Directors, with general decision-making authority and, consequently, with the express delegation of all of the powers of the Board of Directors, except for those powers that, by law or pursuant to the Bylaws, cannot be delegated.

The Regulations also authorize the Board of Directors to create one or more advisory or control committees entrusted with the task of examining and continuously monitoring any area of special importance to the good governance of the Company, or performing the specific analysis of any factor or issue whose significance or magnitude requires it. Such Committees do not have the status of corporate bodies, but rather are tools in the service of the Board of Directors, to which they convey the conclusions that they reach with regard to the issues or subjects whose handling has been entrusted to them.

As of December 31, 2022, and on the date of issuance of this Report, the Board of Directors had and has an Executive Commission and five advisory or control committees, whose composition, duties and powers are described below.

The Company's Board of Directors, at its meeting held on December 16, 2020, and at the proposal of the Nominating, Compensation and Corporate Governance Committee, approved the partial amendment of the Regulations of the Board of Directors of Telefónica, S.A., which amendment consisted of the following: i) adapting it to the Recommendations of the Good Governance Code amended in June with which the Company currently fully complies; ii) adapt it to certain Recommendations of the Good Governance Code not amended in June 2020 and which the Company had already been complying with; and iii) incorporate some complementary aspects or technical clarifications. Among other issues, certain aspects relating to the composition of the Board Committees were modified, and new functions were adjusted and assigned to the Audit and Control Committee, the Nominating, Compensation and Corporate Governance Committee and the Sustainability and Quality Committee, and the express regulation of the Strategy and Innovation Committee was included in the Regulations.

In coordination with the amendment of the Regulations of the Board of Directors, the Board of Directors, at its meeting held on December 16, 2020, approved the partial amendment of the Regulations of the Audit and Control Committee and the Regulations of the Nominating, Compensation and Corporate Governance Committee, to include the changes introduced to the Regulations of the



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Board of Directors with respect to the composition and duties assigned, respectively, to each Committee.

Likewise, the Board of Directors, at its meeting held on June 29 and 30, 2021, and at the proposal of the Nominating. Compensation and Corporate Governance Committee. approved the partial amendment of the Board of Directors' Regulations of Telefónica, S.A., basically consisting of adapting said regulations to the following features introduced by Law 5/2021: (i) the amendment of the regime of related-party transactions applicable to listed companies, establishing new rules for their approval and reinforce their transparency; (ii) the prohibition of appointing legal persons as directors who in listed companies; and (iii) the review of the requirements for the Audit Committee of a parent company to perform the functions of the Audit Committee in its subsidiaries that are public interest entities (PIEs). In this context, certain functions of the Audit and Control Committee were adjusted.

In coordination with the amendment of the Board of Directors' Regulations, the Board, at its meeting held on June 29 and 30, 2021, agreed to partially amend the Regulations of the Audit and Control Committee in order to incorporate the changes made to the of the Board of Directors' Regulations with regard to the list of functions attributed to the Audit and Control Committee.

On the other hand, with regard to the meetings held by the Board of Directors' Committees, during financial year 2022, the meetings of the Board of Directors' Committees were held in mixed format, with the attendance of the Directors in person and online. At all these meetings, the Secretary of each Committee attested to the identity of all the attendees.

Regarding the matters addressed by the Committees, and in accordance with the provisions of article 20 b) 3. of the Regulations of the Board, a full report is delivered to the Board of Directors so that it will be aware of the said matters for the exercise of its responsibilities. At the beginning of each of the monthly meetings of the Board of Directors, the Chairman of each of the Committees delivers a report on the major matters that were addressed and on the activities and tasks that were carried out by the respective Committee, making available to the Directors the corresponding documentation, so that the Directors will be aware of such activities for the purposes of the exercise of their responsibilities.

Additionally, and in the same way as the Board of Directors itself, all of the Committees prepare, at the start of each fiscal year and in accordance with the provisions of article 20 b) 3. of the Regulations of the Board of Directors, an Action Plan that contains a detailed description of, and a schedule for, the actions to be taken in each fiscal year in each Committee's individual area of activity.

Similarly, all of the Committees prepare an Activity Memorandum (which, for the Audit and Control Committee and the Nominating, Compensation and Corporate Governance Committee, is known as the Performance Report), which summarizes the major activities and actions that were carried out during the preceding fiscal year, including the details of the matters that were examined and addressed at the meetings that were held, and emphasizing the aspects associated with their duties and responsibilities, composition and performance.

The Executive Commission

The Board of Directors has delegated its authority and powers (except for those that by law, under the bylaws and pursuant to the regulations cannot be delegated) to an Executive Commission.

The Executive Commission provides the Board of Directors with greater operability and effectiveness in the exercise of its functions, inasmuch as it meets more often than the Board of Directors does.

In accordance with the provisions of article 38 of the Bylaws of Telefónica, S.A., article 21 of the Regulations of the Company's Board of Directors governs the Executive Commission in the following terms:

a) Composition.

The Executive Commission shall consist of the Chairman of the Board of Directors, once he has been appointed as a member of the Committee, and no fewer than three and no more than ten other members, all of whom shall be Directors, appointed by the Board of Directors.

The Board of Directors shall endeavor to ensure that the Executive Commission has at least two non-executive Director, of whom at least one shall be independent.

In any event, in order to be valid, the appointment or renewal of the members of the Executive Commission shall require the favorable vote of at least two-thirds of the members of the Board of Directors.

As of December 31, 2022, and on the date of issuance of this Report, the Executive Commission was and is composed of the following persons:

Name	Post	Category
Mr. José María Álvarez- Pallete López	Chairman	Executive
Mr. Isidro Fainé Casas	Vice Chairman	Proprietary
Mr. José María Abril Pérez	Vice Chairman	Proprietary
Mr. José Javier Echenique Landiríbar	Vice Chairman	Independent
Mr. Ángel Vilá Boix	Member	Executive
Mr. Peter Erskine	Member	Other External
Mr. Peter Löscher	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Other External



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

b) Operation.

The Executive Commission shall meet whenever it is called by its Chairman, normally holding meetings every 15 (fifteen) days. During the year 2022 it held 15 meetings, lasting on average 2 hours and 30 minutes each. Also noteworthy is the high level of participation of all of its members.

The Chairman and the Secretary of the Board of Directors shall serve as the Chairman and the Secretary of the Executive Commission. One or more Vice Chairman and a Deputy Secretary may also be appointed.

The Executive Commission can validly hold a meeting when a majority of its members are present at the meeting, either in person or by proxy.

Resolutions shall be adopted by an absolute majority of the Directors present at the meeting either in person or by proxy. In the event of a tie in the voting, the Chairman shall cast the deciding vote.

c) Relationship with the Board of Directors.

The Executive Commission shall promptly inform the Board of Directors of the matters that are discussed and the decisions that are made at its meetings. Copies of the minutes of such meetings shall be made available to the members of the Board (article 21.C of the Regulations of the Board).

Most important activities during the fiscal year

During fiscal year 2022 the Executive Commission of the Board of Directors of Telefónica, S.A. analyzed and reviewed, deliberated on and adopted resolutions (which have been ratified by the Company's Board of Directors) relating to certain issues associated with the following matters, among others:

- The business developed by the Telefónica Group: i) products and services (Digital Services, Innovation, Education, Home Security, B2B and B2C Business, etc.), ii) the evolution of the business in the various different countries in which the Telefónica Group operates, and iii) market trends.
- The regulatory situation of the telecommunications industry (including, among others, regulatory changes and spectrum auctions).
- Corporate and finance-related transactions of the Telefónica Group.
- Monitoring of the status of the action and the circumstances influencing its progress.
- Other organizational issues related to People, Sustainability, Security, etc.

Audit and Control Committee

The Audit and Control Committee of Telefónica, S.A. is governed by the provisions of article 39 of the Bylaws and by the provisions of article 22 of the Regulations of the Board of Directors. Accordingly, and in order to comply with the recommendations set forth in Technical Guide 3/2017 of the National Securities Market Commission regarding Audit Committees of Public Interest Entities, the Board of Directors, at its meeting held on December 13, 2017, approved the Regulations of the Audit and Control Committee of Telefónica, S.A., which was amended by resolution of the Board of Directors at its meeting of December 16, 2020, following a favourable report from the Audit and Control Committee, to adapt it to the recommendations of the Good Governance Code as amended in June 2020 (as well as article 22 of the Regulations of the Board of Directors).

Likewise, the Regulations of Audit and Control Committee were amended by the motion passed by the Board of Directors at its meeting of June 29 and 30, 2021, following a favourable report from the Audit and Control Committee to adapt these to the new features introduced by Law 5/2021 (as well as Article 22 of the Board of Directors' Regulations).

Article 39 of the Company's By-Laws, article 22 of the Regulations of the Board of Directors and the Regulations of the Audit and Control Committee govern such Committee under the following sections. The current version of the Regulations of the Audit and Control Committee is available for consultation on the Company's corporate website, in the Corporate Governance section under Information for Shareholders and Investors: https://www.telefonica.com/en/shareholders-investors/

a) Composition.

The Audit and Control Committee shall consist of the number of Directors that the Board of Directors determines at any given time. In no case shall the said number be fewer than three persons appointed by the Board of Directors. All of its members must be External or Non-Executive Directors, and at least a majority of them must be Independent Directors. In appointing the members of the committee, and, in particular, its Chairman, the Board of Directors shall take into account their knowledge and experience in matters of accounting, auditing and management of both financial and non-financial risks. Collectively, the members of the Committee shall possess the technical knowledge that is pertinent to the area of business to which the Company belongs.

The Chairman of the Audit and Control Committee, whose position in any case shall be held by an Independent Director, shall be appointed from among the members of such Committee. The Chairman must be replaced every four years and may be re-elected after a period of one year has elapsed since his departure.

As of December 31, 2022, and as of the date of this Report, the Audit and Control Committee was and is composed of the following persons:



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Name	Post	Category
Mr. Peter Löscher	Chairman	Independent
Mr. José Javier Echenique Landiríbar	Member	Independent
Ms. Carmen García de Andrés	Member	Independent
Ms. María Rotondo Urcola	Member	Independent

Furthermore, all the members of the Audit and Control Committee, who are Independent Directors, have a financial background, and were appointed taking into account their knowledge and experience in accounting, auditing or management of both financial and non-financial risks.

b) Responsibilities.

Without prejudice to any other tasks that may be assigned to it by the Board of Directors, the primary function of the Audit and Control Committee shall be to support the Board of Directors in its supervisory functions. In particular, the Committee shall have at least the following responsibilities:

- 1) To provide information to the shareholders at the General Shareholders' Meeting about the issues that arise within its purview and, in particular, about the outcome of the audit, explaining how the audit contributed to the integrity of the financial information, and the role that the Committee played in the process.
- 2) To present to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, as provided by law, along with the terms and conditions under which the external auditor is to be retained, as well as collecting regularly from the auditor information about the audit plan and its implementation, in addition to preserving its independence in the fulfillment of its duties.
- 3) To supervise internal audit, which shall endeavor to ensure the proper operation of internal reporting and control systems, and which will functionally report to the Chairman of the Audit and Control Committee, and in particular shall be required:
 - a) Ensuring the independence and effectiveness of the internal audit function;
 - b) Proposing the selection, appointment and removal of the head of the internal audit department;
 - c) Proposing the budget for that department;
 - d) To approve the annual focus and work plan, ensuring that its activity is principally focused on material risks (including reputational risks);
 - e) To review the annual activities report;
 - f) To receive regular information about its activities, the implementation of the annual work plan, including any incidents or limitations in scope that arise during such

implementation, the outcome and the follow-up on its recommendations; and

- g) To verify that the senior executive officers take into account the conclusions and recommendations of its reports.
- 4) To supervise and assess the process of preparing and submitting and the integrity of the mandatory financial and non-financial information relating to the Company and the Group and to submit recommendations or proposals to the Board of Directors intended to safeguard the integrity thereof. With respect thereto, it shall review compliance with legal requirements, the proper determination of the scope of consolidation and the correct application of accounting standards, informing the Board of Directors thereof.
- 5) To endeavor ensure that the annual accounts submitted by the Board of Directors to the shareholders at the General Shareholders' Meeting are prepared in accordance with the legal provisions on accounting. However, in cases where the statutory auditor has included a qualification in its audit report, the Chairman of the Committee shall clearly explain the content and scope thereof at the General Meeting. In addition, a summary of such explanation shall be made available to the shareholders at the time of publication of the call to the General Meeting.
- 6)To supervise the effectiveness of the Company's internal control system, particularly endeavoring to ensure the effective implementation in practice of the policies and systems on internal control, as well as on internal audit, and the systems for the control and management of financial and non-financial risks relating to the Company and the Group (including operational, technological, legal, social, environmental, political and reputational risks and corruption-related risks), and to discuss with the Statutory Auditor any significant weaknesses in the internal control system detected during the audit, all without infringing the independence thereof. In such cases, and if applicable, it may submit recommendations or proposals to the Board of Directors and the corresponding period for follow-up thereon.

In that regard, it shall be responsible for proposing to the Board of Directors a risk control and management policy, which shall identify at least the following:

- a) The types of financial (including contingent liabilities and other off-balance sheet risks) and non-financial (operational, technological, legal, social, environmental, political and reputational, including corruption-related risks) risks to which the Company is exposed;
- b) A multi-level risk control and management model;
- c) the setting of the risk level that the Company deems acceptable; the measures contemplated to mitigate the impact of the identified risks, should they materialize; and
- d) the internal control and information systems to be used to control and manage the above-mentioned risks.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information
- 7) To supervise the risk control and management unit, which shall perform the following duties:
 - a) ensure the proper operation of the risk control and management systems, and particularly to ensure that all material risks affecting the Company are identified, managed and quantified;
 - b) actively participate in preparing the risk strategy and in important decisions regarding the management thereof; and
 - c) endeavor to ensure that the risk control and management systems properly mitigate risks within the framework of the policy determined by the Board of Directors
- 8) To establish and supervise a mechanism that enables employees and other people connected with the Company, such as Directors, shareholders, suppliers, contractors and subcontractors, to confidentially and anonymously, with due regard for the rights of complainant and the subject of any complainant, report any significant improprieties, including financial, accounting or any other kind of improprieties regarding the Company, that they become aware of within the Company or its Group.
- 9) To establish and maintain appropriate relations with the Statutory Auditor in order to receive, for review by the Committee, information on all matters that could entail a threat to the independence thereof, as well as any other matters relating to the audit procedure, and when applicable, authorization of services other than those that are prohibited, upon the terms contemplated by applicable law, and such other communications as may be provided for in auditing legislation and auditing rules. In any event, the Audit and Control Committee must receive, on an annual basis, a declaration from the Statutory Auditor of its independence from the Company or entities directly or indirectly related thereto, as well as detailed and itemized information regarding additional services of any kind provided to and the corresponding fees received from, such entities by the Auditor or by the persons or entities related thereto pursuant to the provisions of applicable law.
- 10) To issue on an annual basis, prior to the issuance of the audit report, a report stating an opinion on whether the independence of the Statutory Auditor has been compromised. This report must in all cases include a reasoned assessment of the provisions of each and every one of the additional services referred to in point 9) above, both individually and as a whole, other than the legal audit and regarding the rules on independence or regulations on the activity of auditing.
- 11) To preserve the independence of the statutory auditor in the performance of its duties, and in this regard: (i) in the event of the resignation of the statutory auditor, examine the circumstances giving rise to such resignation; (ii) endeavor to ensure that the compensation received by the statutory auditor for its work does not compromise the quality or independence thereof; (iii) ensure that the Company communicates through the CNMV any change in

- auditor and attaches a statement regarding any disagreements with the outgoing auditor and, if any, the substance thereof; (iv) ensure that the statutory auditor meets annually with the full Board of Directors to inform the Board of Directors of the work performed and on the accounting status and the risks of the Company; and (v) ensure that the Company and the statutory auditor applicable legal provisions regarding the provision of non-audit services, limits on the concentration of the auditor's business, and generally all other provisions regarding the independence of the auditors.
- 12) To analyze and report on the financial terms, accounting impact and, if applicable, the exchange ratio proposed for structural modifications and corporate transactions that the Company expects to carry out, prior to submission to the Board of Directors.
- 13) To report in advance to the Board of Directors on all matters provided by law and the By-Laws, and particularly regarding:
 - Financial information and the management report, which shall include the required non-financial information that the Company must periodically make public; and
 - 2. The creation or acquisition of interests in specialpurpose entities or entities domiciled in countries or territories considered to be tax havens.
- 14) To report on related-party transactions that must be approved by the shareholders acting at a General Shareholders' Meeting or by the Board of Directors and to supervise the internal process established by the Company for those transactions for which approval has been delegated by the Board of Directors.
- 15) To supervise the application of the general policy on the disclosure of economic/financial, non-financial and corporate information and communication with shareholders and investors, proxy advisers and other stakeholders, and to monitor the manner in which the Company communicates and engages with small and medium-sized shareholders, all with respect to those aspects within the purview of the Committee.
- 16) As regards those companies of the Group that are deemed to be Public-Interest Entities (Entidades de Interés Público) (as defined by applicable law), and with respect to which it is so approved by the Board of Directors, to perform all those duties of the Audit Committee at any time contemplated by applicable law, provided that (a) such companies are directly or indirectly wholly-owned by the Company pursuant to the provisions of applicable law, or (b) the assumption of such duties has been unanimously approved by the shareholders of the subsidiary.

The provisions of paragraphs 2), 9) and 10) shall be understood as being without prejudice to the regulatory framework governing the auditing of accounts.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Mechanisms established to preserve the independence of external auditors

With regard to the independence of the Company's external auditor, and in accordance with the provisions of Telefónica's Regulations of the Board of Directors (Article 41), the Board of Directors has established, through the Audit and Control Committee, a stable and professional relationship with the Accounts Auditor, with strict respect for the independence thereof.

Furthermore, the Audit and Control Committee, as part of its fundamental powers (Article 22 of the Regulations of the Board of Directors and Article 4 of the Regulations of the Audit and Control Committee), has established and maintains the appropriate relationships with the auditors to receive information on those matters that may threaten their independence, to be considered by the Committee, and any others related to the process of carrying out the audit, and, where appropriate, the authorisation of services other than those prohibited, in accordance with the terms set forth in the applicable law, as well as other communications set forth in audit legislation and audit regulations.

In any case, the Audit and Control Committee annually receives the accounts auditor's declaration of independence with regard to the Company or entities directly or indirectly related to it, as well as detailed and personalised information on the additional services of any kind provided and the corresponding fees received from these entities by the reported auditor, or the persons or entities related to him/her in accordance with the provisions of current regulations.

Furthermore, the Committee issues, prior to issuing the audit report of the accounts, an annual report that expresses an opinion on whether the independence of the accounts auditor has been compromised. This report states, in any case, the evaluation, with supporting evidence/rationale, of the provision of each and every one of the additional services referred to in the previous section, taken into account individually and together, different to the statutory audit and in relation to the independence regime or the regulations governing account auditing.

In any event, the Audit and Control Committee must preserve the independence of the statutory auditor in the performance of its duties, and in this regard: (i) in the event of the resignation of the statutory auditor, examine the circumstances giving rise to such resignation; (ii) endeavor to ensure that the compensation received by the statutory auditor for its work does not compromise the quality or independence thereof; (iii) ensure that the Company communicates through the CNMV any change in auditor and attaches a statement regarding any disagreements with the outgoing auditor and, if any, the substance thereof; (iv) ensure that the statutory auditor meets annually with the full Board of Directors to inform the Board of Directors of the work performed and on the accounting status and the risks of the Company; and (v) ensure that the Company and the statutory auditor applicable legal provisions

regarding the provision of non-audit services, limits on the concentration of the auditor's business, and generally all other provisions regarding the independence of the auditors.

In addition, and in accordance with the Regulations of the Board of Directors (Article 22), the Company's Audit and Control Committee puts forward proposals to the Board of Directors for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with the law, as well as the terms and conditions of his/her contract, regularly obtaining information from the auditor on the audit plan and the execution thereof, as well as preserving his/her independence in the exercise of his/her duties.

Furthermore, the external auditor has direct access to the Audit and Control Committee, participating regularly in its meetings, without the presence of members of the Company's management team when this is deemed necessary. In this regard, and in accordance with the requirements of US regulations on this matter, the External Auditor reports to the Audit and Control Committee, at least on an annual basis, on the most significant accounting policies and practices followed in drawing up the Company's financial and accounting information, on any alternative accounting treatment within generally accepted accounting principles and practices that affects any relevant element within the financial statements that may have been discussed with the management team, and, finally, on any relevant communication between the auditor and the Company's management team. In addition, and in accordance with Article 41 of the Regulations of the Board of Directors, the auditor shall hold an annual meeting with the full Board of Directors to provide an update on the work carried out and the evolution of the Company's accounting and risk situation.

In accordance with the Company's internal regulations, and also in line with the legal requirements imposed by Spanish, European and US regulations, contracting any service with the Company's External Auditor must always be approved beforehand by the Audit and Control Committee. Furthermore, this contracting of services, other than those of the audit itself, is carried out in strict compliance with the Audit Act, European regulations and the Sarbanes-Oxley Act enacted in the United States and its implementing regulations. In this respect, and before hiring the auditor, the Audit and Control Committee analyses the content of the work to be carried out, assessing the situations that may entail a risk to the independence of the Company's External Auditor, and specifically supervises the percentage represented by the fees paid by the latter of the audit firm's total revenue. In this regard, the Company states in its Annual Report, in accordance with the legal requirements in force, how much the Company's External Auditor is paid, including those fees related to services of a different nature from auditing.

Consequently, the Company has implemented, in practice, the legal provisions on this matter as indicated in the preceding paragraphs.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

c) Operation.

The Audit and Control Committee must have access to information in a suitable, timely and sufficient manner, for which purpose:

- The Chairman of the Committee and, if deemed appropriate or requested, the rest of its members, shall maintain regular contact with the key personnel involved in the governance and management of the Company.
- The Chairman of the Committee, through the Secretary
 of the Committee, shall channel and provide the
 necessary information and documentation to the other
 members of the Committee, allowing sufficient time for
 them to analyze such information prior to their meetings.

This information shall be available through the corresponding information technology application, enabled by the Company for the handling of the documentation associated with this Committee.

The Audit and Control Committee shall meet at least once every quarter, and whenever a meeting is deemed appropriate, in response to a call from its Chairman. In any event, the Committee shall meet, at a minimum, on each date on which annual or interim financial information is published. In such cases, the Internal Auditor shall be present. If any type of review report is issued, the Auditor shall also be present.

In this regard, and with reference to the meetings held with the Statutory Auditor and with the Internal Auditor, the provisions of article 7 of the Regulations of the Company's Audit and Control Committee are complied with, which provisions establish that, for the proper exercise of its supervisory function, the Committee must be familiar with, and understand, the decisions made by Senior Management regarding the application of the most significant criteria and the results of the reviews conducted by the Internal Audit Office, while maintaining fluid communications with the Statutory Auditor. In point of fact, the External Auditor has participated in meetings of the Audit and Control Committee in order to explain the work that was done, and also to clarify, at the request of Committee, those issues that may have been raised in connection with the duties assigned to such External Auditor. The members of the Committee also held separate meetings with each of these contact persons when such meetings were deemed necessary, in order to conduct a rigorous follow-up of the preparation of the Company's financial information.

During 2022 it held 12 meetings, lasting on average two hours each. Also noteworthy is the high level of participation of all of its members.

Likewise, in the fulfillment of its duties, the Committee may request the presence of the following persons at its meetings: the Statutory Auditor, the head of the Internal Audit Office, any Director, employee or Officer of the Company and the experts that it deems appropriate.

Attendance at the formal meetings of the Committee shall be preceded by the allocation, on the part of its Members, of sufficient time to analyze and evaluate the information received by them.

The Committee also has a Secretary, as well as the necessary support staff for planning meetings and agendas; for drafting documents and meeting minutes; and for compiling and distributing information, among other tasks.

For the purposes of appropriate scheduling that makes it possible to ensure the efficient accomplishment of the objectives pursued, the Committee establishes an Annual Work Plan.

The meetings are scheduled by the Chairman of the Committee, who communicates them to the Secretary of the Committee, so that its members will receive the documentation sufficiently in advance. All of these actions are performed bearing in mind that the duties of the Members of the Committee are fundamentally supervisory and advisory, with no involvement in execution or management, which are the responsibility of Senior Management.

Most important activities during the fiscal year and fulfillment of duties.

The primary activities and actions performed by the Audit and Control Committee of the Board of Directors of Telefónica, S.A. during fiscal year 2022 have been associated with the powers and functions of such Committee. Accordingly, the Audit and Control Committee has performed, among others, the following tasks:

- In the financial and non-financial area: i) a review of the Company's financial information (Annual Accounts and Management Reports, which include non-financial information for 2021, periodic quarterly and semi-annual financial information about the Telefónica Group and the Group's Public Interest Entities for which this Committee has taken on the duties of its Audit Committee, and Alternative Performance Measures, included in the Company Financial Information); ii) review of financial accounting aspects of corporate operations; iii) a review of the informative brochures presented by the Company to the various supervisory bodies (including, among others, the 20-F Annual Report and numerous informative brochures about share-financing and debtfinancing transactions); and iv) a review of specific presentations on financial and fiscals aspects of, and changes in, accounting regulations. The Committee also reviewed the non-financial information and the information on diversity prepared by the Company, in compliance with applicable regulations.
- Regarding the external auditor: i) a proposal regarding the fees to be received by PwC as the Statutory Auditor for fiscal year 2022, and ii) a review of the audit work and the limited reviews conducted by the external auditor



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

with regard to the above-mentioned financial information.

- Regarding internal controls: i) a review of the work performed by the Internal Audit Office regarding the review of cross-cutting processes, investigations and inspections; and ii) a review of the risk management system.
- Regarding compliance, the activities carried out by the Compliance area, including, among others, the review and strengthening of the Company's regulatory framework, and advice on conflicts of interest, global due-diligence procedures associated with operations, and specific presentations on specific aspects or initiatives of the Company's Compliance Program.
- Regarding of sustainability, supervision of certain aspects related to non-financial information, regulatory compliance, the risk analysis and management process, and the Company's reporting processes.
- Other items of interest: i) elaboration of the 2021 report of the Audit and Control Committee on related-party transactions; ii) elaboration of the monthly report of the head of the Telefónica, S.A. Treasury Stock Management Team on treasury-stock transactions; iii) a review to ensure that the financial information published on the Company's website is continuously updated and matches the information prepared, in each instance, by the Board of Directors and published on the CNMV website; iv) periodic training to ensure that the knowledge imparted to the members of the Committee is up to date; and v) preparation of the Audit and Control Committee's Report on the Functioning of the Audit and Control Committee.

The Nominating, Compensation and Corporate Governance Committee

The Nominating, Compensation and Corporate Governance Committee of Telefónica, S.A. is governed by the provisions of article 40 of the Bylaws and of article 23 of the Regulations of the Board of Directors. Accordingly, and in order to comply with the recommendations set forth in Technical Guide 1/2019 of the National Securities Market Commission regarding Nominating and Compensation Committees, the Board of Directors, at its meeting held on June 26, 2019, approved the Regulations of the Nominating, Compensation and Corporate Governance Committee of Telefónica, S.A., which was amended by resolution of the Board of Directors at its meeting of December 16, 2020, following a favourable report from the Nominating, Compensation and Corporate Governance Committee, to adapt it to the recommendations of the Good Governance Code as amended in June 2020 (as well as Article 23 of the Regulations of the Board of Directors).

Article 40 of the Company's By-Laws, article 23 of the Regulations of the Board of Directors and the Regulations of the Nominating, Compensation and Corporate

Governance Committee govern such Committee under the terms set out in the following sections. The current version of the Regulations of the Nominating, Compensation and Corporate Governance Committee is available for consultation on the Company's corporate website, in the Corporate Governance section under Information for Shareholders and Investors: https://www.telefonica.com/en/shareholders-investors/.

a) Composition.

The Nominating, Compensation and Corporate Governance Committee shall consist of the number of Directors that the Board of Directors determines at any given time. In no case shall the said number be fewer than three persons appointed by the Board of Directors. All of its members must be external or non-executive Directors, and the majority of them must be independent Directors. The Lead Independent Director must also be a member of the Committee.

The members of the Nominating, Compensation and Corporate Governance Committee shall be appointed such that as a group they have the knowledge, aptitudes and experience appropriate for the duties that they are called upon to perform.

The Chairman of the Nominating, Compensation and Corporate Governance Committee, whose position shall in any case be held by an independent Director, shall be appointed from among the members of such Committee.

As of December 31, 2022, and on the date of this Report, the Nominating, Compensation and Corporate Governance Committee was and is composed of the following persons:

Name	Post	Category
Mr. José Javier Echenique Landiríbar	Chairman	Independent
Mr. Peter Erskine	Member	Other External
Ms. María Luisa García Blanco	Member	Independent
Mr. Peter Löscher	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Other External

b) Responsibilities.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Nominating, Compensation and Corporate Governance Committee shall have the following responsibilities:

1) To evaluate the skills, knowledge and experience necessary within the Board of Directors. For such purposes, it shall determine the functions and aptitudes needed in the candidates who must fill each vacancy and shall evaluate the time and dedication required for them to effectively carry out their tasks and shall ensure that the non-executive Directors have sufficient availability to properly perform their duties.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information
- 2) To establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.
- 3) To submit proposed appointments of independent Directors to the Board of Directors for appointment on an interim basis to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting, as well as proposals for the reelection or removal of such Directors by the shareholders at the General Shareholders' Meeting.
- 4) To report on the proposed appointments of the other Directors of the Company for their appointment on an interim basis to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting, as well as proposals for the reelection or removal thereof by the shareholders at the General Shareholders' Meeting.
- 5) To also report on proposals for the appointment and removal of the Secretary and any Deputy Secretary of the Board of Directors of the Company, as well as proposals for the appointment, re-election and removal of Directors from the subsidiaries thereof.
- 6) To report on proposals for the appointment and removal of the Senior Executive Officers of the Company and its subsidiaries.
- 7) To report on the proposals for appointment of the members of the Executive Commission and of the other Committees of the Board of Directors, as well as the respective Secretary and, if applicable, the respective Deputy Secretary.
- 8) To propose to the Board of Directors the appointment of the Lead Director from among the independent Directors.
- 9) Together with the Chairman of the Board of Directors, to organize and coordinate a periodic evaluation of the Board of Directors and its Committees, including the performance and contribution of each Director and the evaluation of the performance of the Chairman of the Board of Directors under the direction of the Lead Director pursuant to the Regulations of the Board of Directors.
- 10) To report on the periodic evaluation of the performance of the Chairman of the Board of Directors.
- 11) To examine or organize the succession of the Chairman of the Board of Directors and, if applicable, to make proposals to the Board of Directors so that such succession occurs in an orderly and planned manner.
- 12) To propose to the Board of Directors, within the framework established in the By-Laws, the compensation for the Directors and review it periodically to ensure that it is in keeping with the tasks performed by them, as provided in Article 35 of the Regulations of the Board of Directors.
- 13) To propose to the Board of Directors, within the framework established in the By-Laws, the extent and amount of the compensation, rights and remuneration of a financial nature, of the Chairman of the Board of Directors, the executive Directors and the Senior Executive Officers of

- the Company, as well as the basic terms of their contracts, for purposes of contractual implementation thereof.
- 14) To confirm compliance with and to periodically review the compensation policy applied to the Directors and Senior Executive Officers, including share-based compensation systems and the application thereof.
- 15) To prepare and propose to the Board of Directors an annual report regarding the Director compensation policy.
- 16) To verify the information regarding the compensation of the Directors and Senior Executive Officers set forth in the various corporate documents, including the annual report on the Director compensation policy.
- 17) To supervise compliance with the Company's internal corporate governance policies and rules, as well as the Company's internal codes of conduct in force from time to time, while also endeavoring to ensure that the corporate culture is aligned with its purpose and values.
- 18) To periodically evaluate and review the Company's corporate governance system, such that it fulfils the mission of promoting the corporate interest and takes due account of the legitimate interests of the other stakeholders.
- 19) To supervise the implementation of the general policy regarding the communication of economic/financial, non-financial and corporate information and communication with shareholders and investors, proxy advisers and other stakeholders, and to monitor the manner in which the Company communicates and engages with small and medium-sized shareholders, all as regards aspects within the purview of this Committee.
- 20) To endeavor to ensure that any conflicts of interest do not adversely affect the independence of external advice provided to the Committee.
- 21) To exercise such other powers and perform such other duties as are assigned the Nominating, Compensation and Corporate Governance Committee in the Regulations of the Board of Directors.

c) Operation.

The Nominating, Compensation and Corporate Governance Committee must have access to information in a suitable, timely and sufficient manner, for which purpose:

- The Chairman of the Committee and, if deemed appropriate or requested, the rest of its members, shall maintain regular contact with the key personnel involved in the governance and management of the Company.
- The Chairman of the Committee, or, if applicable, the Secretary of the Committee, shall channel and provide the necessary information and documentation to the other members of the Committee, allowing sufficient time for them to analyze such information prior to their meetings.

This information shall be available through the corresponding information technology application, enabled by the Company for the handling of the documentation associated with this Committee.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The Nominating, Compensation and Corporate Governance Committee shall meet at least once every quarter, and whenever a meeting is deemed appropriate, in response to a call from its Chairman. In addition to holding the meetings scheduled on the annual calendar, the Nominating, Compensation and Corporate Governance Committee shall meet whenever the Company's Board of Directors or the Chairman of the Board of Directors requests the issuance of a report or the preparation of a proposal within the scope of its responsibilities, and whenever, in the opinion of the Chairman of the Board, a meeting is appropriate for the proper fulfillment of its duties.

During 2022 it held 12 meetings, lasting on average two hours each. Also noteworthy is the high level of participation of all of its members.

The Committee shall also meet sufficiently in advance of the meetings of the Board of Directors.

Attendance at the formal meetings of the Committee shall be preceded by the allocation, on the part of its Members, of sufficient time to analyze and evaluate the information received by them.

The Committee shall have a Secretary (who will normally be the Secretary or the Deputy Secretary of the Board of Directors), as well as the necessary support staff for planning meetings and agendas; for drafting documents and meeting minutes; and for compiling and distributing information, among other tasks.

For the purposes of appropriate scheduling that makes it possible to ensure the efficient accomplishment of the objectives pursued, the Committee shall establish an Annual Work Plan.

The meetings shall be scheduled by the Chairman of the Committee, who shall communicate them to the Secretary of the Committee, so that its members will receive the documentation sufficiently in advance. All of these actions shall be performed bearing in mind that the duties of the Members of the Committee are fundamentally supervisory and advisory, with no involvement in execution or management, which are the responsibility of Senior Management.

The Nominating, Compensation and Corporate Governance Committee shall consult the Chairman of the Board of Directors, particularly with regard to matters involving the Executive Directors and Senior Officers.

Most important activities during the fiscal year and fulfillment of duties.

The primary activities and actions performed by the Nominating, Compensation and Corporate Governance Committee of the Board of Directors of Telefónica, S.A. during fiscal year 2022 have been associated with the powers and functions of such Committee or with legal requirements or with Telefónica's internal regulations. Accordingly, the Nominating, Compensation and Corporate Governance Committee has analyzed and reported on the following issues, among others:

 a) Proposed appointments associated with the Board of Directors of Telefónica, S.A. and its Committees.

Likewise, and in relation to the proposals to be submitted to the company's Ordinary General Meeting in 2022, the Committee, at its meeting of February 22, 2022, adopted the following resolutions:

- Favourably advise the re-election, for a further period of four years, of the Director Mr. Jose Maria Abril Perez, in the category of Proprietary Director, Mr Ángel Vilá Boix, in the category of Executive Director, and of the Director Mr Francisco Javier de Paz Mancho, in the category of Other External Director.
- Propose the re-election, for a further period of four years, of Board Member Ms Maria Luisa García Blanco in the category of Independent Director.
- Propose the ratification of appointment by cooptation and the appointment, for a further period of four years, to Ms Maria Rotondo Urcola, as Board Member, in the category of Independent Director.
- b) Proposals for the appointment of Directors at the Subsidiaries or Affiliates of the Telefónica Group.
- c) The compensation plan for the Directors and members of Senior Management of the Telefónica Group (in terms of fixed and variable compensation and share plans).
- d) Telefonica S.A. Share Plan.
- e) The Corporate Governance Report and Compensation Report 2021.
- f) Preparation of the Report on the functioning of the Nominating, Compensation and Corporate Governance Committee 2021.

The Regulation and Institutional Affairs Committee

The Regulation and Institutional Affairs Committee was created by the Board of Directors pursuant to the provisions of article 20.b) of its Regulations and is regulated in article 24 of the Regulations of the Board of Directors.

On the occasion of the amendment of the Regulations of the Board of Directors, made in December 2020, the name of the 'Regulation Committee' has been changed to the current 'Regulation and Institutional Affairs Committee'.

a) Composition.

The Board of Directors determines the number of members of this Committee, which shall in no case be less than three. A majority of its members must be external or non-executive Directors.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

The Chairman of the Regulation and Institutional Affairs Committee is appointed from among its members.

As of December 31, 2022, and on the date of this Report, the Regulation and Institutional Affairs Committee was and is composed of the following persons:

Name	Post	Category
Mr. Francisco Javier de Paz Mancho	Chairman	Other External
Mr. Juan Ignacio Cirac Sasturain	Member	Independent
Ms. María Luisa García Blanco	Member	Independent
Ms. Carmen García de Andrés	Member	Independent

b) Functions.

Without prejudice to other functions that may be assigned to it by the Board of Directors, the Regulation and Institutional Affairs Committee shall have, at a minimum, the following functions:

- To monitor on a permanent basis the principal regulatory matters and issues affecting the Group at any time, through the study, review and discussion thereof.
- 2) To act as a communication and information channel on regulatory matters between the management team and the Board of Directors and, where appropriate, to advise the Board of Directors of those matters deemed significant to the Company or to any of the companies of the Group in respect of which it is necessary or appropriate to make a decision or adopt a particular strategy.
- 3) To analyze, report and propose to the Board of Directors the principles that should govern the Sponsorship and Patronage Policy of the Group, to engage in the monitoring thereof, and to individually approve sponsorships in an amount or importance that exceeds the threshold set by the Board and which must be approved thereby.

Most important activities during the fiscal year and fulfillment of duties.

During 2022, it held 11 sessions, each lasting an average of two hours.

The main activities and actions carried out by the Regulation and Institutional Affairs Committee during the 2022 financial year were linked to the duties and functions corresponding to this Committee. Thus, the Regulation and Institutional Affairs Committee has analysed and discussed the following issues, among others:

 The regulatory matters that are most important to the Telefónica Group, as reflected in the Regulatory Agenda, all at the global level and at the level of the European Union, by region (Europe and Latin America) and by country. The most significant developments, in terms of the most notable issues on the above-mentioned Regulatory Agenda, are updated at each meeting, as are the specific documents or reports presented to the Committee, when the issue or its circumstances make it advisable.

- Update on regulatory authorizations for corporate operations.
- The continuous monitoring of the Sponsorship and Patronage Policy, including the sponsorship proposals presented by the Global Sponsorships Office of Telefónica, S.A.
- The most relevant institutional milestones of the Telefónica Group with regard to the Company's Institutional Relations.

The Strategy and Innovation Committee

The Strategy and Innovation Committee was created by the Board of Directors pursuant to the provisions of article 20.b) of its Regulations and, since the Board of Directors, at its meeting held on December 16, 2020, approved the amendment to the Regulations of the Board of Directors, it is regulated in article 26 of the Regulations of the Board of Directors.

a) Composition.

The Board of Directors determines the number of members of this Committee which shall in no case be less than three. A majority of its members must be external or non-executive Directors.

The Chairman of the Strategy and Innovation Committee is appointed from among its members.

As of December 31, 2022, and on the date of this Report, the Strategy and Innovation Committee was and is composed of the following persons:

Name	Post	Category
Mr. Peter Erskine	Chairman	Other External
Mr. José María Abril Pérez	Member	Proprietary
Mr. Juan Ignacio Cirac Sasturain	Member	Independent
Mr. Verónica Pascual Boé	Member	Independent
Ms. Claudia Sender Ramírez	Member	Independent

b) Functions.

Without prejudice to other functions that may be assigned to it by the Board of Directors, the Strategy and Innovation Committee shall have, at a minimum, the following functions:

 To support the Board of Directors in the analysis and monitoring of the strategic policy of the Group at the global level.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

To advise and provide support to the Board of Directors on all issues relating to innovation, and to analyze, study and periodically monitor the Company's innovation projects, set standards and provide support to ensure the appropriate implementation and development thereof throughout the Group.

Most important activities during the fiscal year and fulfillment of duties.

Over the course of the 9 meetings held during fiscal year 2022, the Strategy and Innovation Committee has analyzed various issues associated fundamentally with the telecommunications sector, in keeping with the strategic policy of the Telefónica Group and its business.

The Committee has also conducted a periodic follow-up of the Company's innovation projects, providing opinions and support in order to ensure their appropriate implementation and development throughout the Telefónica Group.

The Sustainability and Quality Committee

The Sustainability and Quality Committee was created by the Board of Directors pursuant to the provisions of article 20.b) of its Regulations and is governed by the provisions of article 25 of the Regulations of the Board of Directors.

a) Composition.

The Board of Directors determines the number of members of this Committee, which shall in no case be less than three. All members thereof must be external or non-executive Directors and the majority thereof must be independent Directors.

The Chairman of Sustainability and Quality will be appointed from among its members.

As of December 31, 2022, and on the date of this Report, the Sustainability and Quality Committee was and is composed of the following persons:

Name	Post	Category
Ms. María Luisa García Blanco	Chairman	Independent
Mr. Juan Ignacio Cirac Sasturain	Member	Independent
Ms. Carmen García Andrés	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Other External
Ms. María Rotondo Urcola	Member	Independent
Ms. Claudia Sender Ramírez	Member	Independent

b) Functions.

Without prejudice to other functions that may be assigned to it by the Board of Directors, the Sustainability and Quality Committee shall have, at a minimum, the following functions:

- To supervise and review the strategies and policies of the Company's Responsible Business Policy, including environmental and social issues, ensuring that they are aimed at responding to the expectations of the company's stakeholders and the creation of value, and to propose to the Board of Directors that they be updated and modified when necessary.
- 2) To promote a proactive relationship strategy with our stakeholders: customers, investors, suppliers, employees and society in general, with the purpose of defining the material issues affecting the Company from risk and opportunity perspectives.
- To supervise the impact analyses linked to the Responsible Business strategy and our reputation, both from a business perspective and from the perspective of their impact on society, and in particular Human Rights and the Environment, as well as the legal modifications, recommendations and best business practices, which could have a significant influence for the Telefónica Group in matters of sustainability and reputation.
- 4) To analyze, promote and supervise Telefónica Group's sustainability objectives, action plans and practices in the environmental and social areas, including aspects such as ethical behavior, human rights, the environment and climate change, responsible management of the supply chain, digital trust and the responsible use of technology, talent and diversity, sustainable customer responsibility, ethical and sustainable products and services and inclusive connectivity, as well as other issues identified as risks or opportunities for the Company in terms of sustainability.
- 5) To ensure that the sustainability practices in the environmental and social areas conform to the strategy that has been determined, and evaluate their degree of compliance through quality indices, ESG, the measurement of reputation and sustainability, among others, making recommendations where necessary to improve the Telefónica Group's management in these fields
- To ensure that the corporate culture is aligned with its purpose and values with transparency towards its stakeholders.
- 7) Together with the Audit and Control Committee, to know the process of reporting non-financial information in matters of social responsibility and sustainability, which includes the aspects and matters detailed in sections 2), 3) and 4) above in accordance with international benchmarks, as well as the risks relating to those matters.
- Any other matters related to the fields within its competence that are requested by the Board of Directors or its Chairman.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

In relation to these functions, and regarding sustainability issues, Telefónica wants to be a relevant player in the communities in which it operates, internalizing in its strategy and way of operating the impacts of its activities on society and the environment. Its purpose, in this area, is to make the world more human, connecting lives, which implies that it is always aware of how it can contribute to generate a positive impact through its products and services, taking great care to minimize any negative impact that its activities may cause. It is about being an ethical and responsible company, and Telefónica's strategy and governance reflect this concern.

The Group's Responsible Business Principles and Responsible Business Plan respectively form the ethical framework and roadmap for sustainability, and both are approved by the Board of Directors, as well as the Group's most relevant policies in this area (see sustainability policies in Governance and Culture of Sustainability chapter and in the governance subsection of each of the chapters on the main sustainability topics). Furthermore, the Sustainability and Quality Committee supervises the implementation of the Responsible Business Plan at its monthly meetings.

The Group's Responsible Business Plan details objectives and projects related to the Company's sustainability management, including, among others, respect for Human Rights, customer responsibility, privacy commitments, freedom of expression and information, security, ethical management of artificial intelligence, responsible management of technology, sustainable management of the supply chain, climate change and environmental strategy, promotion of diversity, safety and well-being of our employees, as well as a business strategy focused on generating products and services that contribute to addressing society's major social and environmental challenges (sustainable innovation).

Some of the most relevant objectives of the Responsible Business Plan are considered in determining the variable compensation of the Company's employees.

Therefore, through the Company's governing bodies, specifically, the Responsible Business Plan is submitted for approval to the Board of Directors, supervision to the Sustainability and Quality Committee and monitoring to the Responsible Business Office. In addition, it is executed by the Corporate Business and Support Areas and the Executive Committees of the Operators, which assume the implementation of the objectives included in it.

The full details of the sustainability governance structure can be found in chapter 2.16. Governance and culture of sustainability.

Most important activities during the fiscal year and fulfillment of duties.

Over the course of the 10 meetings held during fiscal year 2022, the Sustainability and Quality Committee has analyzed the quality indices for the principal services provided by the companies within the Telefónica Group,

evaluated the main Customer Experience indicators given to customers by those companies, and has analyzed the Corporate Social Reputation of the Telefónica Group, including the most relevant issues in terms of Sustainability (ethical behavior, sustainable innovation, digital trust, the supply chain, talent and diversity management, customers, the environment and climate change), including Responsible Business Plans in the Sustainability area (ESG) and the Integrated Annual Report.

Evaluation of the Board and of its Committees

Once a year, all of the Company's Directors evaluate the performance of the Board of Directors of Telefónica, S.A., of its Committees and of the General Shareholders' Meeting. Furthermore, every three years such evaluation is carried out with the assistance of an external consultant, whose independence is verified by the Nominating, Compensation and Corporate Governance Committee. Thus, the evaluation of the Board of Directors for the financial year 2017 was carried out with the assistance of the external consultant Villafañe & Asociados Consultores, the evaluations of the financial years 2018 and 2019 were carried out internally by the Company, without assistance of an external consultant, and for the evaluation corresponding to the financial year 2020, the Board of Directors, at the proposal of the Nominating, Compensation and Corporate Governance Committee, has had the support, as an external advisor, of the consulting firm Egon Zehnder; and the assessments for the 2021 and 2022 financial years has been carried out internally by the Company, without the support of an external advisor.

Specifically, at the end of the 2022 financial year, all Directors were given a questionnaire to carry out the evaluation process for that year.

The questionnaire contained a wide range of questions grouped under the following headings:

- The Board of Directors: Composition, Function and Powers, expressly including the adequacy of the performance and contribution of i) each Director on the Board of Directors, ii) the Chairman of the Board, iii) the Lead Independent Director, and iv) the Secretary of the Board.
- Committees of the Board of Directors: Composition, Function and Powers, expressly including the performance and input of i) the Committee Chairs, and ii) the Secretariat for these Committees.
- · Rights and Duties of Directors.
- · Stakeholders General Shareholders' Meeting.
- · Suggestions and Comments.

The Nominating, Compensation and Corporate Governance Committee, at its meeting held on January 24, 2023, reviewed and analysed the results of this evaluation, concluding that, in general, the aspects related to the Board



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

of Directors, Committees and General Meeting had been highly valued and were considered optimal and competent on the whole.

However, as a result of this evaluation, and in order to continue improving the functioning of the company's corporate governance system, certain areas for optimisation were identified, in view of which, and after a detailed examination and analysis of the results achieved, the Board of Directors, at the proposal of the Appointments, Remunerations and Corporate Governance Committee, at its meeting of January 25, 2023, established an Action Plan for the implementation of the following suggestion and recommendation:

 Earlier submission of session documentation and improvement of its content where possible. Therefore, work will also continue on optimising the process of making the documentation of Board and Committee meetings available to the Directors, so that it is made available, whenever possible, at an earlier date.



- Strategy and growth model
 Non-financial Information statement
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors 6. Other information

3. Risks

4.4.2. Management Team

As regards the Company's Executive Committee, its composition as of December 31, 2022 is shown below:





- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.5. Transactions with Related Parties and Conflicts of Interest

4.5.1. Transactions with Related Parties

The procedure for approval of related-party and intragroup transactions

As mentioned above, the Board of Directors, at its meeting held on June 29 and 30, 2021, and at the proposal of the Nominating, Compensation and Corporate Governance Committee, approved the partial amendment of the company's Board of Directors' Regulations which basically consists of adapting them to the novelties of Law 5/2021 of April 12, which amends the revised text of the Capital Companies Act and other financial regulations with regard to the promotion of long-term shareholder involvement in listed companies (Law 5/2021). Specifically, the Board of Directors' Regulations were adapted to the amendments introduced by Law 5/2021 to the regime of related-party transactions applicable to listed companies.

Likewise, the Board of Directors, at its aforementioned meeting held on June 29 and 30, 2021, approved, in coordination with the aforementioned amendment of the Board of Directors' Regulations, to partially amend the Regulations of the Audit and Control Committee, in order to incorporate the changes introduced in the Board of Directors' Regulations.

Following the aforementioned amendment, Article 5.4 of the Board of Directors' Regulations includes the following non-delegable powers of the Board, among others:

The approval, subject to a report from the Audit and Control Committee, of related-party transactions under the terms established in Article 39 of these Regulations, unless its approval corresponds to the General Meeting.

The Company's Board of Directors may delegate the approval of transactions between companies forming part of its group that are carried out within the scope of ordinary management and under market conditions, as well as transactions entered into under contracts whose standard conditions are applied en masse to a large number of customers, carried out at prices or rates established on a general basis, and whose amount does not exceed 0.5% of the net turnover of the company, determined in accordance with the rules of calculation laid down in the Law.

In this regard, and in accordance with the provisions of article 31.f) of the Board of Directors' Regulations:

No Director may directly or indirectly carry out professional or commercial operations or transactions with the company or with any of the companies of its group, when such operations or transactions are outside the ordinary course of business or are not carried out under market conditions, except for those operations or transactions that are authorised by the company under the terms provided for in the regime on related-party transactions established by law, in the Articles of Association, and in these Regulations.

Article 39 of the Board of Directors' Regulations establishes the following with regard to the regime on related-party transactions:

- 1. The Board of Directors, subject to a favourable report from the Audit and Control Committee, shall approve transactions that the company or its subsidiaries carry out with directors, shareholders holding 10% or more of the voting rights or represented on the company's Board of Directors, or any other persons who should be considered related parties under the terms of the law, provided that, under current legislation, they are considered to be related party transactions, and unless their approval corresponds to the General Shareholders' Meeting. This power cannot be delegated, except in the cases and under the terms provided for in the law and in Article 5.4 of these Regulations.
- In relation to the adoption of the motion to approve related-party transactions whose competence corresponds to the Board of Directors and has not been delegated, the Director involved or the Director representing or related to the shareholder involved must abstain from participating in the deliberation and voting in accordance with the provisions of the law.
- 3. In the event that the Board of Directors delegates the approval of related-party transactions in accordance with the provisions of the law and Article 5.4 of these Regulations, the Board of Directors itself shall establish an internal procedure of information and periodic control in relation thereto, in which the Audit and Control Committee shall intervene, in order to verify the fairness and transparency of these transactions and, where appropriate, compliance with the applicable legal criteria. The approval of such transactions shall not require a prior report from the Audit and Control Committee.
- In relation to related-party transactions whose approval depends on the General Meeting, the



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

proposed motion for approval adopted by the Board of Directors shall be submitted to the General Meeting with an indication as to whether it has been approved by the Board of Directors with or without the majority of the independent Directors voting against.

Likewise, Article 4, section xiv) of the current Regulations of the Audit and Control Committee establishes, among the competencies of this Committee, the following:

Report on related party transactions to be approved by the General Meeting or the Board of Directors and supervise the internal procedure established by the Company for those transactions whose approval has been delegated by the Board of Directors, as the case may be.

In relation to the above, and within the framework of the aforementioned regulation, the Board of Directors of the Company, at its meeting held on June 29 and 30, 2021, following a favourable report from the Audit and Control Committee, moved to establish a generic delegation for the approval of all related-party transactions that are so allowed, that is:

- Intra-group transactions (companies subject to a potential conflict of interest) that are carried out in the ordinary course of business and on an arm's length basis; and
- b. Transactions which are concluded under contracts whose standardised conditions are applied en masse to a large number of customers, made at general prices or rates, and whose amount does not exceed 0.5% of the company's net turnover.

Such delegation was made to the bodies or persons who, in accordance with the general powers of attorney in force at any given moment and the internal contracting regulations of Telefónica, S.A. and the other applicable companies in its group, and in accordance with the functions they perform within the Telefónica Group (such as financing, telecommunications services and all those derived from the ordinary business of the group), have the powers to carry out such delegation.

The approval of the related-party transactions referred to in the aforementioned delegation motion of the Board of Directors, does not require a prior report from the Audit and Control Committee, although such transactions must be reported half-yearly to the Audit and Control Committee and the Board of Directors in order to verify the fairness and transparency of such transactions and, where appropriate, compliance with the applicable legal criteria.

During fiscal year 2022 neither Telefónica, S.A. nor any company in its Group has carried out transactions with any member of the Board of Directors or with any member of senior management other than those derived from the Group's ordinary business or traffic, except as indicated in the following paragraph in respect of transactions with parties related to Directors.

Notwithstanding the above, the significant and relevant transactions carried out by companies of the Telefónica Group with related parties are included in Note 11 (Related Parties) and in Note 10 (Associates and joint ventures) of the Consolidated Annual Accounts of Telefónica, S.A. of Telefónica, S.A. corresponding to fiscal year 2022, as in Section D of the Statistical Annex of the Annual Corporate Governance Report.

4.5.2. Conflicts of Interest GRI 2-15

Company policy establishes the following principles governing possible conflicts of interest that may affect directors, senior executives or significant shareholders:

 With respect to Directors, Article 31 of the Regulations of the Board of Directors establishes that Directors shall inform the Board of Directors of any situation of direct or indirect conflict they may have with the interest of the company. In the event of conflict, the Director affected shall refrain from participating in the transaction to which the conflict refers.

Moreover, and in accordance with the provisions set out in the Regulations of the Board, Directors shall refrain from participating in votes that affect matters in which they or persons related to them have a direct or indirect interest.

It is also established that Directors may not directly or indirectly carry out professional or commercial operations or transactions with the company or with any of the companies of its group, when such operations or transactions are outside the ordinary course of business or are not carried out under market conditions, except for those operations or transactions that are authorised by the company under the terms provided for in the regime on related-party transactions established by law, in the Articles of Association and in the Regulations of the Board of Directors (regime described in section 4.5.1. above).

Directors must also report with respect to themselves as well as the persons related thereto (a) the direct or indirect interests held by them and (b) the offices held or duties performed at any company that is in a situation of actual competition with the Company.

For purposes of the provisions of this paragraph, the following shall not be deemed to be in a situation of actual competition with the Company, even if they have the same or a similar or complementary corporate purpose: (i) companies controlled thereby (within the meaning of Article 42 of the Commercial Code); and (ii) companies with which Telefónica, S.A. has established a strategic alliance. Likewise, for purposes of the provisions hereof, proprietary directors of competitor companies appointed at the request of the Company or in consideration of the Company's interest in the capital thereof shall not be deemed to be in a situation of prohibition of competition.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Transactions arising from the duty of loyalty and its exemption regime shall also be subject to prevailing laws

- With regard to significant shareholders, Article 39 of the Board Regulations establishes that the Board of Directors, following a favourable report from the Audit and Control Committee, shall approve transactions that the company or its subsidiaries carry out with shareholders holding 10% or more of the voting rights or represented on the Company's Board of Directors, provided that, under current legislation, they are considered to be related-party transactions, and unless their approval corresponds to the General Shareholders' Meeting. This power cannot be delegated, except in the cases and under the terms provided by law and in Article 5.4 of the Company's Board of Directors' Regulations, as described in section 4.5.1 above.
- With respect to Senior Executives, the Internal Code of Conduct for Securities Markets Issues, updated on May 6, 2020, sets out the general principles of conduct for the persons subject to the said regulations who are involved in a conflict of interest. The aforementioned Code includes all the Company's management personnel within the concept of affected persons.

In accordance with that established in this Regulation, the People with Management Responsibilities, their Administrative Personnel and the managers or employees of Telefónica Group who have Privileged Information, or participate or have access to or knowledge of a Confidential Operation (as defined in the previous terms of the internal conduct regulations regarding Stock Markets) have the obligation to (a) remain loyal to the Group and its shareholders at all times, regardless of his/her own or other's interests; (b) refrain from intervening in or influencing decision making that could affect persons or companies with which there is conflict; and (c) refrain from accessing information classified as confidential that affects said conflict. Additionally, these people (except for the members of the Company Board of Directors who will be governed in terms of communicating conflicts under the standards established in the regulation of the Board of Directors) have the obligation to make the Company aware of these situations, by means of the computer system established by Telefónica for this purpose, as soon as possible, that would potentially entail the manifestation of conflicts of interest because of its activities outside the Telefónica Group, its family relationships, its personal assets or any other reason with: (a) financial intermediaries operating with the Group Telefónica; (b) professional or institutional investors who have a significant relationship with the Group Telefónica; (c) suppliers of significant equipment or material; or (d) professional service providers or External Advisors.

Telefónica, S.A. is the only company of the Telefónica Group that is listed in Spain, so it is not necessary to have defined the specific mechanisms that would be applied to resolve possible conflicts of interest with subsidiaries listed in Spain.

Based on the information provided above, it is also noted that Telefónica, S.A. is not controlled by another entity within the meaning of Article 42 of the Commercial Code.



- Strategy and growth model
 Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.6. Risk Control and Management Systems

See chapter 3 ("Risks") of the 2022 Consolidated Management Report of Telefónica, S.A.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.7. Internal Risk Control and Management Systems in relation to the Financial Information System (ICFR)

4.7.1. Control Environment

Responsible bodies and/or functions of: (i) the existence and maintenance of a suitable and effective ICFR; (ii) its deployment; and (iii) its supervision.

The Board of Directors is, in accordance with Laws and the Bylaws, the highest administrative and representative body of the Company, and basically consists of a supervisory and control body, while the executive bodies and management team are responsible for the day-to-day management of the Company's businesses.

Telefónica's Board of Directors is ultimately responsible for the supervision of the Company's internal information and control systems, including the Internal Control System for Financial Information (ICFR) or Financial Reporting, indiscriminately.

The Bylaws and the Regulation of the Board of Directors of the Company state that the primary duty of the Audit and Control Committee of Telefónica, S.A. is supporting the Board of Directors in its supervisory functions. Its competencies include, among others, the following ones:

- i. Submitting to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor, being responsible for the selection process in accordance with the provisions of the Law, as well as the conditions of their engagement, and regularly collecting information from the auditor regarding the audit plan and its execution, in addition to preserving its independence in the exercise of its functions.
- ii. To supervise the internal audit, ensuring the proper functioning of the information and internal control systems which will functionally report to the Chairman of the Audit and Control Committee, and in particular:

- Ensure the independence and effectiveness of the internal audit function;
- Propose the selection, appointment and removal of the head of the Internal Audit service;
- c. Propose the budget for that service;
- d. Approve the guidelines and the annual work plan, ensuring that its activity is mainly focused on relevant risks (including reputational risks);
- e. Review the annual activity report;
- f. Receive periodic information on its activities, the execution of the annual work plan, including possible incidents and limitations as and when they occur in its development as well as on the results and monitoring of its recommendations;
- Verify that senior management takes into account the conclusions and recommendations of its reports.
- iii. Supervise and evaluate the process of preparation, presentation and completeness of the mandatory financial information regarding the Company and the Group, and submit recommendations and proposals to the Board of Directors aimed at safeguarding integrity. In relation to this, it is responsible for supervising:
 - a. The correct design and operation of the controls on the breakdown and the procedures of the process for preparing the financial information, revealing any material information regarding that reporting process of the Group.
 - b. The environment of internal control over the



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Dieke

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

financial reporting, with the objective of providing, faced with third parties, reasonable assurance regarding the reliability in the process for reporting and preparing the financial information according to accounting standards.

- c. Any significant change that affects the internal control system of the financial reporting process in a material way, and which has occurred during the annual assessment period.
- d. Compliance with regulatory requirements, adequate delimitation of the consolidation perimeter, and the correct application of the accounting criteria, giving account to the Board of Directors.
- Supervise and evaluate the process of preparation, presentation and integrity of the mandatory financial and non-financial information of the Company and the Group and to present recommendations and proposals to the Board of Directors with the intention of safeguarding its integrity. In this regard, it will review compliance with the regulatory standards, the appropriate delimitation of the scope of consolidation, reporting to the Board of Directors.
- Ensure that the annual accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with accounting standards. Notwithstanding the foregoing, in cases in which the Auditor has included any exceptions in its audit report, the Chairman of the Audit and Control Committee shall clearly explain the Committee's opinion on its content and scope at the General Meeting. Similarly, a summary of this opinion will also be made available to shareholders at the time of the publication of the call of the General Meeting.
- Supervise the effectiveness of the Company's internal control, in particular, ensuring that the policies and systems established in the field of internal control are effectively implemented in practice, as well as the internal audit and the financial and non-financial risk management and control systems relating to the Company and the Group (including operational, technological, legal, social, environmental, political, reputational or corruption-related risks); as well as discuss with the Account Auditor the significant design, material and operating weaknesses of the controls over financial information reporting detected in the development of the audit, and do all of this without breaking their independence. For those purposes, where applicable, it may submit recommendations or proposals to the Board of Directors and the corresponding deadline for their follow-up. With regard to this, the Board of Directors is responsible for proposing the Policy on Risk Control and Management, which will identify or determine, at least:
 - a. The various types of financial (including contingent liabilities and any other off-balance sheet risks) and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) faced by the Company.

- b. A risk control and management model based on various levels, which will include a specialized risk committee where sectoral rules so provide for it or where the Company deems it appropriate.
- c. Setting of the risk level which the Company considers acceptable.
- d. he planned measures for mitigating the impact of the identified risks should they materialize; and
- e. The internal control and reporting systems to be employed to control and manage those risks, including contingent liabilities and any other offbalance sheet risks
- Supervise the risk management and control the department, which will perform the following duties:
 - a. Ensure the proper functioning of risk control and management systems and, in particular, that all significant risks affecting the Company are appropriately identified, managed and quantified.
 - b. Actively participate in the development of the risk strategy and in major risk-management decisions;
 - c. To ensure that the risk control and management systems adequately mitigate the risks within the framework of the policy defined by the Board of Directors.
- viii. Establish and supervise a mechanism that allows employees and other people related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors to communicate, confidentially and anonymously, any potentially important irregularities, including financial and accounting ones, or of any other nature, related to the Company, that they may notice within the Company or its Group, whilst respecting the rights of the whistleblower as well as of the person being reported.
- Establish and maintain the opportune relations with the Account Auditor to receive information on those issues that may be a threat to the independence of the Auditor, for examination by the Committee, and any other related to the process of developing the audit of accounts, and, when applicable, the authorization of services other than those prohibited, in the terms stated in the applicable legislation, as well as other communications expected in the legislation on audit of accounts, and in the auditing standards. In any case, the Audit and Control Committee shall receive annually from the Account Auditor the declaration of its independence in relation to the Company or entities linked to it directly or indirectly, as well as the detailed and individualized information of the additional services of any type provided and the corresponding fees received from these entities by the aforementioned Auditor, or by the persons or entities



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

linked to them in accordance with the provisions of current regulations.

- On an annual basis, prior to the issuance of the account audit report, issue a report expressing an opinion on whether the Account Auditor's independence is compromised. This report must conclude, in any case, on the reasoned assessment of XVI. the rendering of each and every one of the additional services referred to in point vi above, individually considered and as a whole, other than the legal audit and in relation to the independence regime or with the regulations governing the activity of the account audit.
- To preserve the independence of the Accounts Auditor in the performance of their duties and, in this regard: (a) in the event of the Accounts Auditor resigning, to examine the circumstances that may have led do it; (b) to ensure that the remuneration of the Auditor for their work does not compromise their quality or independence; (c) to supervise that the Company notifies the change of auditor through the National Securities Market Commission and accompanies it with a statement on any possible existence of disagreements with the outgoing auditor and, if so, to disclose the details; (d) to ensure that the Auditor holds an annual meeting with the Board of Directors in order to report it on the work performed and on the evolution of the Company's accounting and risk situation; and (e) ensure that the Company and the Auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on auditor independence.
- Analyze and report the economic conditions, the accounting impact and, if applicable, the exchange ratio proposed for the operations of structural and corporate modifications that the Company plans to carry out, before being submitted to the Board of Directors.
- xiii. Inform, in advance, the Board of Directors, on all matters stated in the Law and the Bylaws, and, in particular, on:
- The financial information that the Company must periodically publish;
- The creation or acquisition of participations in special h purpose entities or domiciled in countries or territories that are considered tax havens.
- xiv. Report the related operations to be approved by the General Shareholders' Meeting or the Board of Directors and supervise the internal procedure established by the Company for those whose approval has been delegated by the Board of Directors.
- Supervise the application of the general policy relating to the communication of economic-financial, non-financial

and corporate information, as well as communication with shareholders and investors, voting members and other stakeholders, monitoring the way in which the Company communicates and relates to small and medium-sized shareholders, in all aspects which fall within the responsibilities of this Committee.

Exercise, with regard to companies of its Group which are considered Public Interest Entities (as they are defined in the current legislation) as approved by the Board of Directors, provided that they are fully owned, directly or indirectly, by the Company, in accordance with the provisions of current legislation, and which are not attributed to a Board of Directors, all the functions of the Audit Committee contemplated at any time by current legislation.

As mentioned above, it is established that the Accounts Auditor will hold an annual meeting with the full Board of Directors to inform them about the work conducted and the evolution of the accounting and risk situation of the Company, generally coinciding with the date on which the Board of Directors prepares the Annual Financial Statements.

The provisions above are understood without prejudice to the regulations governing the audit of accounts.

According to the Regulation of the Board of Directors, the periodicity of the sessions of the Audit and Control Committee must be, at least, quarterly. 12 sessions have been held this year.

In order to perform its supervisory duties, the Audit and Control Committee has the support of the entire Company Management, including Internal Audit, which sets up as an independent area in the management of the Company, reporting directly and supporting the Audit and Control Committee in its competencies on assurance, risk management, and the internal control system. For this purpose, Internal Audit applies a systematic and disciplined approach by the following main lines of action:

- · Coordination and review of the consistency of the Internal Regulation Framework of the Telefónica Group;
- · Coordination and supervision of the Risk Management System;
- · Ongoing audit activities;
- Supervision of controls on fund outflows;
- · Specific reviews or audits on the Company processes. Among these activities, the following, at least, are included:
 - a. Assessment on the internal control over financial reporting, required by the Sarbanes-Oxley Act of 2002, to companies listed in the United States of America which also serves to cover the assessment



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Pieke

- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

on the System for the Internal Control over financial reporting (ICFR) for companies listed in Spain.

- b. Audits on the efficiency and effectiveness of the design and execution of the controls in processes. including the preparation and reporting of nonfinancial information: and
- c. Other audits and compliance reviews across the Telefónica Group:
- · Assessment of the internal control environment through specific audits on the applications and infrastructures used in product and service deployment for both internal and external clients. With the focus on the governance model in the deployment of new technologies: 5G, Public Cloud (laaS), Private Cloud (SaaS) and the virtualization mainly due to the impact on cybersecurity and data protection risks, as well as on the Group's transformation projects, such as SAP4Hana or RAITT, which can affect network and system security, cybersecurity and data protection. In an environment in which Big Data and information management is vital, plus an incipient use of Artificial Intelligence algorithms and the massification of the use of RPAs, the data governance model also becomes a focal point in which to evaluate the internal control model;
- · Audits related to facts reported through the Whistleblowing Channel, including, where applicable, the identification of improvements in the design of internal controls in the processes analyzed during these
- · Perform other specific audits or reviews, of interest for the Board of Directors or the Management of the Company.

All the different areas and functional units of the Telefónica Group are relevant for the internal control over financial reporting (ICFR), the Finance and Control area playing a key role, as they are responsible for preparing, maintaining and updating the different procedures that govern their operations, these procedures identify the tasks to be carried out, as well as the persons in charge for executing these tasks.

Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) defining clearly the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) sufficient procedures so this structure is communicated effectively throughout the Company.

People area carries out the deployment of the organizational structure in the respective fields within the framework of the decisions taken by the Board of Directors of the Company.

The financial-accounting information system in the Telefónica Group is regulated through several manuals, instructions and internal rules and regulations, internally available on the Intranet, the most noteworthy of which are the following:

- · Corporate Regulation on the Recording. Communication and Control of Financial and Non-Financial Information of the Telefónica Group, which sets out the basic principles of the financialaccounting information system of the Group, as well as the procedures and mechanisms in place to supervise
- · Manual of Accounting Policies, which includes the accounting standards applicable to the reporting of the companies of the Telefónica Group for the preparation of the consolidated financial information. The Manual of Accounting Policies is based on IFRS (International Financial Reporting Standards), specifically, on the set of regulations and interpretations in force published by the IASB at all times.
- Reporting instructions, which establish the procedures and calendar to be followed by all the companies of the Telefónica Group in the reporting of the financial-accounting information and the external audit in order to comply with the legal and informational obligations of the Telefónica Group, including aspects of the internal control evaluation on the Group's financial report, both from Internal Auditing and the Accounts Auditor. Similarly, specific reporting instructions are devised for companies in which the Telefónica Group participates by means of a joint management agreement (joint ventures and operations) and for the main companies over which it has significant influence.
- · Manual for Completing the Consolidation Reporting of the Telefónica Group, which is updated, at least, annually and establishes specific instructions to fill in the reporting forms necessary for the preparation of consolidated annual accounts and interim consolidated financial information.
- · Annual calendar of financial-accounting information, applicable to all Telefónica Group companies to establish the monthly deadlines for reporting the financial-accounting information.
- · Corporate Accounting Plan ("PCC"), which includes the list of accounts, their content, and the corresponding accounting movements. The PCC intends to homogenize the sources of financial information included in the accounting of the companies of the Telefónica Group.
- Corporate Regulation on Intragroup Operations, mandatory for all companies in the Telefónica Group, and whose purpose is to recast in a specific regulation the mandatory compliance criteria with regard to the accounting recording and payment of transactions between companies in the Group.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Code of conduct, approving body, dissemination and instruction degree, included principles and values (stating whether there are specific mentions to the recording of operations and the preparation of financial information), body in charge of analyzing non-compliance and proposing corrective or disciplinary actions.

With regards to the Code of Conduct, the Board of Directors of Telefónica approved the Business Principles, that are applied in a homogeneous manner in all countries where the Telefónica Group operates and apply to all its employees (the Business Principles affect at all levels of the organization, directors and non-directors) and they include commitments in matters of privacy and security, compliance and fiscal transparency, responsible communication and protection of minor stockholders, among others.

The Business Principles emanate from three basic values: integrity, commitment and transparency, which are essential values to foster the trust relationship that Telefónica wants to have with its groups of interest.

Regarding the financial information, the following principles are set:

- Transparency of the information: we shall provide, immediately and without discrimination, all the relevant information. We are aware of the importance for all our groups of interest to share true, complete, timely and clear information in the reports registered with the relevant Supervising Bodies of the Securities Markets, as well as in other public communications of the Company.
- Privileged Information: we abstain from using, in our own profit or that of third parties, any privileged information, safeguarding the confidentiality and establishing the controls and processes legally required by the Supervising Bodies of the Securities Markets in all the actions related to these markets.

The Business Principles are available for all employees at the Intranet, there are procedures to update, monitor adherence to and disseminate these Business Principles in the Telefónica Group. Likewise, training programs are also periodically established to ensure employees are aware of these principles. In the case of new employees, in addition to providing them the Responsible Business Principle as part of the documentation provided in the onboarding process, they are offered specific training on the subject within a maximum of 3 months from their joining the company.

In this regard, Telefónica has a Corporate Policy on the Comprehensive Discipline Program that aims to define the basic principles of the Group's disciplinary system and that provides that all employees must receive a homogeneous, objective, proportional and non-arbitrary treatment, without prejudice to and with absolute respect for the legislation and other regulations that are applicable in each

case to the Group companies in the different countries in which it operates.

Telefónica has the Business Principles Office, composed of department heads from the areas of Global Sustainability, General Secretariat, Legal Services, People area, Internal Audit, Purchasing, Compliance, Security, Global Consumer, Strategy, Finance, Communication, Data & Analytics, Telefónica Tech and Telefónica Infra. This Office monitors the responsible Business Plan approved by the Board of Directors and reports to the Sustainability and Quality Committee, through the head of Sustainability. Among the responsibilities of this Office, the following stand out:

- Ensure that Telefónica develops its business in an ethical and responsible manner, through the monitoring and implementation of the Responsible Business Plan (which derived from the Company's Strategic Plan). Said Responsible Business Plan details objectives and projects regarding the Group's sustainability management, which includes, among others, respect for Human Rights, customer responsibility, commitments to privacy, freedom of expression and information, security, the ethical management of artificial intelligence, the responsible management of technology, the sustainable management of the supply chain, the strategy of climate change and the environment, the promotion of diversity, security and the well-being of our employees, as well as a business strategy focused on generating products and services that contribute to addressing the great social and environmental challenges of society (sustainable innovation).
- Propose and supervise initiatives and measures that contribute to compliance with the Business Principles of the Group.
- Analyze any matter or proposal that takes place in the Group that could represent a risk for the compliance with the Business Principles and the associated policies.

On a different issue, in case of being aware of any conduct which contravenes what is established by the Law, by the Business Principles or by other valid internal regulations, after proper analysis, disciplinary measures will be applied in accordance with the regime established in the applicable labor legislation, distinguishing between minor, serious and very serious sanctions, depending on the circumstances.

Telefónica also has an "Internal Code of Conduct" for matters relating to Securities Markets, last modified on May 6, 2020, which sets out the general guidelines and principles of conduct to be followed by persons affected by securities and financial instrument operations issued by the Company or its subsidiary Companies.

Similarly (and as detailed below), Telefónica has a Whistleblowing Channel which is available to all stakeholders so they may inquire about, inform or report—anonymously or



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

personally—questions, requests or complaints on any aspect related to the Responsible Business Principles.

Whistle-blowing Channel, which enables to inform the Audit and Control Committee about any irregularities of a financial and accounting nature, as well as eventual breaches of the code of conduct and irregular activities in the organization, informing, where applicable, about a confidential nature and whether it allows for anonymous communications, respecting the rights of the whistle-blower and the reported party.

With regard to the Whistle-Blowing Channel, as specified in Article 22 of Telefónica, S.A.'s Regulations for the Board of Directors, and in Article 4 of Regulation for the Audit and Control Committee, the Audit and Control Committee's competencies include, among others: "establishing and supervising a mechanism that allows employees and other people related to the Company, such as Board Members, shareholders, suppliers, contractors or subcontractors to communicate, in a confidential and anonymous manner, respecting the rights of the whistle-blower and the reported party, irregularities of potential significance, including financial and accounting ones, or of any other nature, related to the Company, detected within the Company or its Group."

The Telefónica Group has a Policy of Management of the Whistleblowing Channel where the bases of the management of the Whistleblowing Channel of the Telefónica Group are set, through which employees, directors and Board members of the Telefónica Group, shareholders, suppliers and other parties can communicate confidentially and, where appropriate, anonymously, any information they become aware of, by any means -formal or not- about the existence of any possible irregularity, any act contrary to legality or internal regulations, also including eventual irregularities referring to accounting matters, issues related to auditing and/or aspects related to the internal control over financial reporting, in compliance with section 301 of the Sarbanes-Oxley Act, of 2002, of the United States of America and other regulatory requirements in this sense.

When managing the Whistleblowing Channel it is mandatory to apply the confidentiality principles to data provided and declarations made, and also the principles of respect and legal basis; so that any decision adopted after receiving a complaint will be reasoned, proportionate and will consider the circumstances of the facts denounced, always with full respect to the rights and the due guarantees for the whistle-blower and the persons affected, if any.

In listed Companies, Internal Auditing periodically informs the Audit and Control Committee of the Board of Directors about a) activity related to the Whistle-blowing Channel, b) complaints regarding matters related to accounting aspects, to audit issues, to internal controls over financial

information and / or all those issues referred to in the Sarbanes-Oxley Act, including any fraud, material or not, that affects the Management, or any other employee of the listed Company, who has a relevant role in the internal control of the financial information reporting process, and c) of the result of the management derived from the audit of these cases.

Periodic training and updating courses for personnel involved in the preparation and review of financial information, as well as ICFR assessment, which cover, at least, accounting rules, auditing, internal control and risk management.

The Consolidation and Accounting Polices Area develops specific training actions, as well as updating seminars addressed to all personnel in the financial areas and other affected areas of the Group (Tax, M&A, etc.), with the aim of making known those changes which, from an accounting and financial point of view, are relevant for the preparation of the consolidated financial information.

This Area also publishes updated Information Bulletins on IFRS (International Financial Reporting Standards) where to present a summary of the main changes in accounting matters, as well as clarifications on various applicable aspects that may arise in this matter.

The Telefónica Group has also a training platform included in the corporate People area management tool, which includes both a Finance School, with specific knowledge and updating programs in financial information matters and an internal control training program that includes training related to auditing, internal control and risk management.

In addition, it should be noted that, based on the relevance of any new accounting developments, the staff of the departments involved in financial reporting attend (when possible and/or necessary) technical sessions given by external companies, related to the main developments in accounting.

Finally, the Group offers the Corporate University "Universitas Telefónica" with the objective of contributing to the Group's progress through the ongoing development of its professionals. All the programs in the training offer of the University of Telefónica are based on the development of the corporate culture, the business strategy and management and leadership competences.

4.7.2. Risk Assessment of Financial Information

Main characteristics of the risk identification process.

The ICFR was developed by the Group in accordance with international internal control standards established by COSO (Committee of Sponsoring Organizations, from the Treadway Commission), which establishes five



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

components in which the effectiveness and efficiency of internal control systems should be based:

- Establish an adequate control environment for the monitoring of all these activities.
- Assess the risks that an entity could incur in compiling its financial information.
- Design the necessary controls to mitigate the most critical risks.
- Establish the appropriate information circuits for the detection and communication of system weaknesses or inefficiencies.
- Monitor said controls to ensure their operability and the validity of their effectiveness over time.

Given the width of the universe of processes with impact on financial reporting at the Telefónica Group, a model has been developed to select the most relevant processes based on applying the so-called Scope Definition Model, which is a part of the Audit Methodology on the Group's Internal Control over Financial Information. This model, based both in the principle of relative importance and the assessment of risks related to financing reporting, is applied to the financial information reported by subsidiaries multi-group and associate companies. The model selects the significant accounts, i.e., those accounts with the largest contribution to the Group's consolidated financial information, to uphold the evaluation of internal control on financial reporting. Subsequently, identifies the relevant processes which generate the information of those accounts, as well as the significant risks regarding financial reporting on these processes.

Once the relevant processes have been identified, an analysis is made on those processes that have a more relevant impact on significant accounts, reviewing the effectiveness of the design and operating of the key controls which address the main associated risks or "objectives of financial information" (also named financial premises).

Given that the internal control evaluation the Group's financial reporting is performed as of the closing date of each year, during the year the corresponding activities are carried out to contrast the initial results obtained through the Scope Definition Model.

The aforementioned procedure for identifying and reviewing the key controls covers the objectives of the financial information (also named financial premises) of accuracy, valuation, integrity, cut-off of operations, existence / occurrence, presentation and comparability, as well as breakdown, and rights and obligations. This identification of the key controls, aimed at addressing the aforementioned financial premises of the significant accounts and relevant processes in scope, is carried out annually, continuously verifying during the period that no event has taken place so as to determine a modification thereof

With regard to the process for identifying the company perimeter, the Finance and Control Office carries out, in a periodic manner, an update on its consolidation perimeter, verifying additions and removals of companies with the legal and financial departments of the different companies which are part of the Group, including the corporate departments.

As previously mentioned, Telefónica constantly monitors the most significant risks that could affect the main companies that make up its Group. For that purpose the Company has a Risk Management Model based on COSO (Committee of Sponsoring Organizations of the Treadway Commission). It is implemented in a homogeneous manner in the main operations of the Group, so that the persons responsible for the Company, in their field of action, carry out a timely identification, assessment, response and monitoring of the main risks. Telefónica's risk management, including those related to financial information, is integrated into the planning process and is aligned with the Company's strategy, in line with the requirements of COSO ERM 2017, "Enterprise Risk Management -Integrating with Strategy and Performance".

The Board of Directors of the Company, through the Audit and Control Committee, is the entity's governing body that supervises the process, as defined in Article 22 of the Regulation of the Board of Directors of Telefónica.

4.7.3. Control Activities

Procedures for reviewing and authorizing the financial information and the description of the ICFR, to be disclosed in the securities market, indicating those responsible, as well as the documents describing the flow of activities and controls (including those related to fraud risk) of different types of transactions that may materially affect the financial statements, including the accounts closing procedure and specific review of relevant value judgements, estimates, valuations and projections.

The Board of Directors of Telefónica, S.A. approved, on December 16, 2020, an update of the "Regulations Governing Disclosure and Reporting to the Markets" (RCIM). This regulation regulates the basic principles of functioning of the financial disclosure control processes and systems for reporting economic-financial, non-financial and corporate information, through which to aim at guaranteeing that the Company's relevant or privileged information is known by the markets, investors and other stakeholders, thus maximizing the disclosure and quality of this information, and ensuring that the mechanisms required to perform regular evaluations of the functioning of these processes and systems are established.

In addition, on a quarterly basis, the Consolidation and Accounting Polices Department (which forms part of the Finance and Control Department) of Telefónica submits to the Audit and Control Committee the periodic financial



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

information, highlighting the main events occurred and the accounting criteria applied in its preparation, clarifying those aspects of major importance occurred during the period.

Likewise, the Telefónica Group has documented economic-financial processes in place which enable that the criteria for preparing financial information are common, both in the companies of the Group and in those activities that are outsourced, if any.

Likewise, the Company follows documented procedures for preparing the consolidated financial information, so that the persons responsible for the different areas involved verify this information.

Additionally, in accordance with internal regulations, the Executive Chairmen or Chief Executive Officers and the Finance Directors of the companies of the Group must submit to the Consolidation and Accounting Policies Office an annual certificate stating to have reviewed the financial information presented, stating that the financial statements submitted represent faithfully, in all their relevant aspects, the financial situation, results and liquidity situation, and, additionally, that there are not known significant risks to the business or unhedged risks which might have a significant incidence on the equity and financial position.

In relation to the accounting closing procedure, the Consolidation and Accounting Polices Office issues the reporting and external audit instructions (in the case of external audits, only for the purposes of schedules and reports to be issued) for the closure of each period, which shall include the content, procedures and schedule to be followed by the departments and companies of the Telefónica Group as well as investee entities through joint control agreements (joint ventures and operations) or material entities over which it exercises significant influence and through its external auditors in the reporting of the financial-accounting information and the results of the external audit processes.

The specific review on relevant judgments, estimates, valuations and projections is carried out by the Consolidation and Accounting Polices Office, to identify critical accounting policies to the extent that they require the use of estimates and value judgements. In these cases, the Consolidation and Accounting Polices Office establishes, likewise, the necessary operational coordination actions with the rest of the units in the Telefónica Group in their specific fields of action and knowledge, prior to presenting them to the Audit and Control Committee. The most relevant ones are dealt with by the Audit and Control Committee and Senior Management defines the presentation format in the annual accounts, prior to approval by the Board of Directors.

Finally, Internal Audit, within its annual audit plan, among other actions, establishes annually work plans to assess the model for internal control over financial reporting of the Telefónica Group, in line with the above stated. That is, the Internal Audit plans include the review on the design and

operability of the controls on the breakdown and reporting of financial information, as well as the assessment of the internal control system of the mentioned process for the preparation of financial information, and the review of any significant modification, during the annual assessment period, that could materially affect the Group's internal control system on the process for the preparation of the consolidated annual accounts.

Internal control policies and procedures on information systems (among others, on access security, change control, system operation, operation continuity, separation of functions) that support the relevant processes of the company with regard to the preparation and publication of financial information.

The Global Security Policy considers an integral concept of the physical and operational security of human resources the information, technologies, cybersecurity, and material resources that support them as fundamental assets, with the purpose of guaranteeing corporate protection against potential damage or eventual losses. For this reason, guaranteeing the Group security is considered an essential aspect in the strategy of Telefónica and an essential enabler of the organization 's activity.

With the approval of this Policy, the Board of Directors expresses its determination and commitment to reaching a level of security that is adequate to the needs of the business and that guarantees the protection of the assets in a homogeneous way in all the companies of the Telefónica Group.

In this context, the Global Digital Security and Intelligence Office is responsible for the definition and promotion of the implementation of Security Policies and Standards in the Telefónica Group, understanding Security as an integral concept. These Policies and Standards aim at preserving the assets and protecting the strategic interests and objectives of the Telefónica Group, both in its vertical organization (including its business units) and in its crosscutting dimension (including all its technological assets and business processes). With them, the confidentiality and integrity of the assets, interests and objectives of the Telefónica Group that are strategic is guaranteed, protecting them, as well, from potential actions that might affect their availability, damage their value, alter their contents, reduce their efficiency or affect their operability. The Global Digital Security and Intelligence Office is also in charge of measuring the level of implementation of the Security Regulations Framework on the assets and processes of the four technological platforms mentioned above and in charge of supervising the status of security on an ongoing manner.

The Telefonica Group's Global Directorate for Networks and Information System, is responsible for the technological strategy of both the Network and the Information Systems for the Group's 4 main markets,



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

defining the strategy and technological planning, as well as its evolution and ensuring compliance with the quality of service, cost and security conditions required by the Group. Among its various functions are the definition of Systems and Networks that improve the efficiency, effectiveness and profitability of the Group's processes. For operators in Latin America, these same functions are assumed and carried out by the Network and Information Systems Department of this segment.

The security activities developed by organizational structures, responsible for assets and employees for the protection of the Group's technological assets and processes will be governed by the following principles, for whose promotion, management, control and improvement the appropriate mechanisms must be established.

- Principle of Legality: ensure the necessary compliance with all laws and regulations in matters of Security, both national and international, valid at any given time in any of the territories where the Telefónica Group operates.
- Principle of Efficiency: in order to reach the required level of Security in an efficient manner, the anticipatory and preventive nature of actions must be ensured. For this purpose, knowledge of potential threats must be privileged and potential risks must be analyzed, as part of an intelligence process where to identify and understand the most relevant threats that affect the organization. The objective is to get ahead of their action and evolution, and to safeguard the Telefónica Group's global organization from their potential harmful effects and mitigate the damages from those risks down to an acceptable level for the business.
- Principle of Co-responsibility: users must preserve the Security of the assets that Telefónica makes available to them, in line with the security criteria, requirements, procedures, and technologies defined in the Security Regulations Framework, as well as in line with the applicable laws and regulations in this matter. At the same time, users must exclusively use the assets for the performance of activities that correspond to their workstation and assigned tasks.
- Principle of Cooperation and Coordination: in order to reach the levels of efficiency required by Telefónica business project, the global action and integral concept of Security activities must be preserved and, together with the aforementioned requirements of anticipation and prevention, cooperation and coordination between all business units and employees must be prioritized, in order to generate the adequate synergies and to jointly reinforce the capabilities.

With the aim of reaching a homogeneous level of security, a Global Security Regulations Framework is defined, which will take into account the analyses of risks and threats as well as the setting of precise protective or corrective prevention measures.

Likewise, strategic plans will be conceived and prepared so that they enable to identify and prioritize the projects and budgets necessary for reaching the adequate levels of Security and Auditability, minimizing the security risks identified in the corresponding analyses, and maximizing the effectiveness of the investment and the resources

The Security Organization coordinates the Security responsibilities of the various Telefónica Group structures, promoting cooperation among them to guarantee the efficient and joint protection of the assets.

Finally, the Internal Audit unit, with the scope established in its Annual Audit Plan, sets out work plans to verify the effectiveness of design and operation, as well the efficiency of the defined internal control environment, to ensure compliance with all Group policies and regulations on Security and Data Processing and Protection, focusing on the governance model and the integrity accuracy of the information, reviewing in the audit work the adequacy and effectiveness of the defined controls, both in their design and operation.

Internal control policies and procedures aimed at supervising the managing of activities outsourced to third parties, as well as those aspects of assessment, calculation or valuation commended to independent experts that may affect in a material manner the financial statements.

In the case that a process or part of a process is outsourced to a third party unrelated to the company, this does not exempt from the need to have controls which ensure an adequate internal control level in the whole of the process. Given the importance of service outsourcing and the consequences that this can cause on the opinion about the effectiveness of the internal control over financial reporting, the necessary actions are taken in the Telefónica Group in order to achieve to evidence an adequate control level. The actions that are carried out to achieve the mentioned objective may vary among the three following ones, which, depending on the case, may be complementary:

- Certification of internal control by an independent third party: ISAE 3402 and/or SSAE 18 certifications in their different typologies.
- Establishing specific controls: identified, designed, implemented and assessed by the Company and/or the Telefónica Group.
- Direct assessment: an assessment, carried out by the Internal Audit area, on certain administrative outsourced processes, with the scope established in its annual audit plan.

When Telefónica or any of its subsidiaries uses the services of an independent expert whose result and conclusions



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

may present potential impacts on the consolidated financial information, with regard to the process to select a supplier, the area that requests the service and, if applicable, together with the Purchase department, must make sure about the competence, training, credentials and independence of the third party regarding the methods and main hypotheses used. The Finance and Control Office has established control activities aimed at guaranteeing the validity of data, the methods used, and the reasonability of the hypotheses used by the third party through the recurrent monitoring on the own KPIs1 of each duty which enable to ensure compliance of the outsourced

process according to the policies and guidelines issued by

Likewise, there is an internal procedure for engaging independent experts which requires certain levels of approval.

4.7.4. Information and Communication

A specific function in charge of defining, keeping updated the accounting policies (area or department of accounting policies) and resolving issues or conflicts derived from its interpretation, maintaining fluid communication with those responsible for operations in the organization, as well as an updated accounting policy manual informed to the units through which the entity operates.

The Consolidation and Accounting Polices Office of the Group is in charge of defining and updating the accounting policies for the purposes of consolidated financial information.

Thus, this area periodically issues updated Information Bulletins on IFRS (International Financial Reporting Standards), where this area presents a summary of the main changes in accounting matters, as well as clarifications on various aspects that may arise regarding this matter.

Additionally, the Telefónica Group has a Manual of Accounting Policies which is permanently updated. The objectives of this Manual are: to adapt the corporate accounting principles and policies to the IFRS regulatory framework; to maintain accounting principles and policies which enable that the information is comparable within the Group and which facilitate an optimum management from the origin of the information; to improve the quality of the accounting information of the various Group companies and of the Consolidated Group by disclosing, agreeing and implementing accounting principles which are unique to the Group; and to facilitate the accounting integration of acquired and newly-created companies into the Group's accounting system by means of having a reference manual

All companies belonging to the Telefónica Group must comply in a mandatory manner with the mentioned

Manual when carrying out their reporting for the preparation of the consolidated financial information.

This documentation is available for the whole Group on the Telefónica Intranet in an integrated Accounting and Reporting portal. In this portal, in addition to the digitalized Manual, also includes the history of IFRS Bulletins, as well as the Reporting Manual with its forms and all the details of the corporate chart of accounts. All accounting and reporting update communications are made through this tool, which is part of the Group's digital transformation project.

Likewise, the Accounting Policies Area maintains a fluid communication with the accounting heads of the Group's main operations, both proactively and reactively. This communication is useful not only for resolving doubts or conflicts but also to ensure that accounting criteria in the Group are homogeneous as well as to share best practices among operators.

Mechanisms for obtaining and preparing the financial information with standardized formats applied and used by all the units in the entity or the Group, which support the main financial statements and notes, as well as information detailing the ICFR.

As stated above, there is a Manual for Filling in the Consolidation Reporting of the Telefónica Group which provides specific instructions for preparing the details which make up the reporting pack, provided by all components of the Telefónica Group for the preparation of the Telefónica Group's consolidated financial statements and the consolidated explanatory notes.

Likewise, the Telefónica Group has implemented a specific system, through a software, which supports the reporting of the individual financial statements of its various subsidiaries, as well as the necessary notes and disclosures for preparing the consolidated annual accounts. This tool is used, likewise, to carry out the consolidation process and its subsequent analysis. The system is managed centrally, and all components of the Telefónica Group use the same account plan.

4.7.5. Supervision of System Operation

The supervision activities and results of the ICFR evaluation performed during the year. Procedure for which the person responsible performs the evaluation establishes the scope and reports their results, with the entity defining an action plan that details the pertinent corrective measures and consideration of its impact on the financial information.

Α

As indicated above, the Corporate Bylaws and the Regulation of the Board of Directors state that the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties,



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Dieke

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

establishing among its competencies to supervise the effectiveness of the Company's internal controls and the systems for risk management and control, as well as to discuss with the Account Auditors significant deficiencies or material weaknesses in the internal control system over financial reporting (ICFR) detected during the development of both the integrated audit performed by the Account Auditor and the evaluation of internal control on the Group's financial reporting at the end of each year, carried out by Internal Audit.

Along the same lines as the above. Telefónica has an Internal Control Policy that sets that the Board of Directors. through the Audit and Control Committee, supervises the internal control system, with the support of the Internal Audit unit of the Telefónica Group. In that Policy, "internal control" is defined as the process performed by the Board of Directors, Management and the rest of the staff of the Company, being designed with the purpose of providing a reasonable assurance degree for the attainment of the objectives related to operations, information and compliance. With the purpose of helping to the achievement of its objectives, the Company has an internal control model defined in accordance with the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Likewise, there is an Internal Audit Organization Policy, which includes aspects regarding the organization and functioning of this area. According to what is set in that Policy, Internal Audit is the area in Telefónica in charge of confirming, by means of appropriate evidence, the adequate functioning of the internal control and risk management structures and, if applicable, detecting possible inefficiencies or non-compliance with the control system that the Group establishes in its processes. In this respect, Internal Audit becomes an area independent from the Company management which directly reports and supports the Audit and Control Committee in its competencies on assurance, risk management and the internal control system.

The Internal Audit function is developed in accordance with the International Standards for the Professional Practice of Internal Auditing and, in this regard, it has been awarded a Quality Certificate from the International Institute of Internal Auditors.

With regard to the supervision of Internal Control over Financial Reporting (ICFR), Telefónica, S.A., as company listed on the New York Stock Exchange, is subject to the regulatory requirements established by the North American regulatory bodies that affect companies listed on that Stock Exchange. Among those requirements is the aforementioned Sarbanes-Oxley Act, of 2002, and, specifically, Section 404 of that Act, which stipulates the need for companies listed in the US market to assess on an annual basis the effectiveness of the procedures and structures of the internal control over financial reporting (ICFR). In order to comply with this requirement, and as stated above, the Telefónica Group has a model to assess

the system for the internal control over financial reporting (ICFR), Internal Audit is the area in charge of performing, on an annual basis, the assessment on its effectiveness at the year's end.

Additionally, and also in accordance with what is established by this Act and the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), the External Auditor issues their own independent opinion on the effectiveness of the system for the internal control over financial reporting (ICFR).

Review on specific processes and controls

Without prejudice to filling in the self-assessment questionnaire, in certain companies of the Group, according to criteria regarding the relevance of their contribution to the economic-financial magnitudes of the Group and other considered risk factors, a direct review is made on their processes and key controls, applying the Internal Control Auditing Methodology on the Group's Financial Information, specifically the "Scope Definition Model" (which forms part of that assessment methodology), which enables to identify the significant financial accounting by company of the consolidation perimeter, for the purposes of evaluating the Internal Control System for Financial Information (ICFR) at the Telefónica Group level, based on the aforementioned evaluation methodology, which is also in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control - Integrated Framework 2013" report.

Once the significant accounts are identified Having identified within the scope of the evaluation based on the calculated consolidated materiality, the Internal Control Auditing Methodology on the Group's Financial Information is applied as follows:

- · Identify economic-financial processes associated with the significant accounts so that a reasonable coverage is achieved in the evaluation of the ICFR.
- Also identify Information Technology (IT) systems and tools and technological infrastructures associated with these scoped processes.
- · Identify significant risks regarding financial reporting associated to those processes.
- · Carry out Walkthroughs of the economic-financial processes in the scope of the evaluation, assessing the design of the controls associated with these processes, and identifying the key controls that address the risks associated with these processes.
- Assess the operability of the previously qualified key controls, by applying the corresponding evaluation tests based on the identified risks, and the results of the aforementioned effectiveness tests of the design.



- 1. Strategy and growth model
- 2. Non-financial Information statement

3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information
- · Where appropriate, control deficiencies identified are reported to the Audit and Control Committee, as well as the design and implementation of the corresponding actions plans which are regularly mentioned by the Audit and Control Committee.
- Additionally, in the event that control deficiencies and/or opportunities for improvement are identified during the Internal Control System for Financial Information (ICFR) assessment procedures, they are reported to Management through the corresponding conclusions issued by Internal Audit, prior analysis of their impact, both at individual and aggregate level, on the evaluation of the Internal Control System for Financial Information (ICFR) of the Telefónica Group. For the purposes of this assessment, the existing compensating controls are taken into consideration, which mitigate the risks that the deficiencies identified could not be remedied at year-end.

Review on IT general controls

The Information Technology General Controls (ITGCs), which support the financial and economic processes in the assessment scope of the internal control over financial reporting (ICFR), are assessed at least annually, fundamentally according to aspects related to regulations and guidelines which apply at global level in the Group.

The review on IT general controls over the aforementioned IT systems and tools and the technological infrastructures, has the objective to assess the effectiveness of the design and operability of key controls related to (i) managing changes to programs, which includes the authorization of the changes implemented at the production stage and that must be supported by their corresponding user tests (UATs), ensuring an adequate segregation of duties and environments, such as (ii) logical access, which includes the control on credentials and profiles, as well as the segregation of duties and the monitoring of activities that are critical in information systems and tools and in the technological infrastructures that supports them (databases and operating systems), and (iii) other IT general controls which support the correct operation of information systems and tools (managing changes to infrastructures, back-ups, managing patches and programmed tasks and their monitoring and managing gaps).

Self-assessment Questionnaires

In addition, all the companies that depend from the Group receive annually internal control self-assessment questionnaires, whose answers must be subsequently certified by the persons responsible for the internal control over financial reporting (ICFR), in each Company (Executive Presidents and/or Finance Directors or their functional equivalents). These questionnaires address aspects of internal control over financial reporting (ICFR) that are considered minimum requirements in order to achieve a reasonable assurance of the reliability of the financial information reported. The answers are

demonstrably audited by the corresponding Internal Audit

Action plans

In the event that control deficiencies and/or opportunities for improvement are detected as a result of the assessment of the Telefónica Group's Internal Control System for Financial Information (SCIIF), depending on the scope established, the control owners communicate their action plans agreed for solving the identified control deficiencies and/or improvement opportunities, as well as the deadlines scheduled for their implementation which is regularly monitored by the Audit and Control Committee. These action plans have as fundamental objectives:

- To remedy the control deficiencies identified in the ICFR annual assessment, so that the control activities are designed and operate in an effective manner, or failing that, the risk generated is substantially mitigated.
- · To prioritize the implementation of improvement opportunities in the efficiency of processes; improvement opportunities are defined as such, since they do not constitute internal control deficiencies.

Weakness detection and management procedure

As previously stated, the Internal Audit area is also in charge, among other functions, to provide support to the Audit and Control Committee in the supervision of the functioning of the system for the internal control over financial reporting (ICFR).

The Internal Audit department participates in the Audit and Control Committee meetings and informs regularly about the conclusions of the carried out works, and also informs about the action plans designed and agreed for mitigation and about the degree of implementation thereof. This includes, where applicable, to communicate internal control significant deficiencies and material weaknesses which may have been identified in the process for ICFR assessment, as well as the follow-up on the implementation of action plans related to significant deficiencies and material weaknesses.

On the other hand, the Accounts Auditor also participates in the Audit and Control Committee, at the request of the Audit and Control Committee, in order to explain and clarify aspects of their audit reports and the rest of work carried out by the External Auditor, which including work carried out to audit the effectiveness of the internal control over financial reporting. The External Auditor is obliged to communicate the internal control significant deficiencies or material weaknesses identified in the development of their audit on the system for the internal control over financial reporting (ICFR). For this purpose, the Accounts Auditor has direct access at all times to Senior Management and the Chairman of the Audit and Control Committee, and, in parallel with the Internal Auditing, it also reports independently to that Committee the results of both the preliminary and final phase of their audit on the system for the internal control over financial reporting (ICFR).



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Conclusion of the assessment of the Internal Control System for Financial Information (ICFR) as of December 31, 2022

Internal Audit has carried out its assessment of the effectiveness of the Internal Control System for Financial Information (SCIIF) as of December 31, 2022. To perform this assessment, the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control - Integrated Framework 2013" report, were considered. Based on the assessment carried out, it was concluded that, as of December 31, 2022, the Telefónica Group's Internal Control System for Financial Information (ICFR) was effective in accordance with these guidelines.

4.7.6. External Auditor's Report

As indicated above, the Group was commissioned to the External Auditor, both to audit the effectiveness of the internal control system over financial reporting (ICFR) in accordance with the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and to review the description of the attached information on the ICFR the Telefónica Group, whose report is attached below to this document.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

4.8. Annual Corporate Governance Report Statistical Annex

Annual Corporate Governance Report Statistical Annex for listed companies (established by Circular 3/2021, of September 28, of the Spanish Securities and Exchange Commission, that modifies Circular 5/2013, of June 12, that established the templates for the Annual Corporate Governance Report for listed companies)

Unless otherwise indicated all data as of December 31, 2022.

A. Ownership Structure

A.1 Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the prevision of double loyalty voting:

No.

Date of the last modification of the share capital	Share capital (€)	Number of shares	Number of voting rights
24/06/2022	5,775,237,554.00	5,775,237,554	5,775,237,554

Indicate whether there are different classes of shares with different associated rights:

No.

A.2 List the company's significant direct and indirect shareholders at the closing date of the financial year, including the directors with a significant shareholding:

		% voting rights attributed to shares		nts through truments		
Name or company name of shareholder	Direct	Indirect	Direct	Indirect	% of total voting rights	
Banco Bilbao Vizcaya Argentaria, S.A.	4.85	0.02	0.00	0.00	4.87	
CaixaBank, S.A.	3.50	0.00	0.00	0.00	3.50	
BlackRock, Inc.	0.00	4.32	0.00	0.16	4.48	

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Breakdown of the indirect holding:

Name or company name of indirect owner	Name or company name of direct owner	% voting rights attributed to shares	% of voting rights through financial instruments	% of total voting rights
Banco Bilbao Vizcaya Argentaria, S.A.	BBVA Seguros, S.A. de Seguros y Reaseguros	0.02	0.00	0.02
CaixaBank, S.A.	Vida-Caixa, S.A. de Seguros y Reaseguros	0.00	0.00	0.00
BlackRock, Inc.	Grupo BlackRock	4.32	0.16	4.48

A.3 Give details of the participation at the close of the fiscal year of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

	% voting attributed		% of voting rights through financial instruments		% of total	instruments	
Name or company name of director	Direct	Indirect	Direct	Indirect	rights	Direct	Indirect
Mr. José María Álvarez-Pallete López	0.04 %	0.00 %	0.04 %	0.00 %	0.08 %	0.00 %	0.00 %
Mr. Isidro Fainé Casas	0.01 %	0.00 %	0.00 %	0.00 %	0.01 %	0.00 %	0.00 %
Mr. José María Abril Pérez	0.01 %	0.01 %	0.00 %	0.00 %	0.02 %	0.00 %	0.00 %
Mr. José Javier Echenique Landiríbar	0.00 %	0.00 %	0.00 %	0.00 %	0.01 %	0.00 %	0.00 %
Mr. Ángel Vilá Boix	0.01 %	0.00 %	0.03 %	0.00 %	0.04 %	0.00 %	0.00 %
Mr. Peter Erskine	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Ms. Carmen García de Andrés	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Ms. María Luisa García Blanco	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Mr. Peter Löscher	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Mr. Francisco Javier de Paz Mancho	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Mr. Francisco José Riberas Mera	0.00 %	0.21 %	0.00 %	0.00 %	0.21 %	0.00 %	0.00 %

Total percentage of voting rights held by the Board of Directors

0.37%



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Breakdown of the indirect holding:

Name or company	Name or comany	% voting rights	% of voting rights through		% voting rights which may be
name of director	name of the direct owner	attributed to shares	financial instruments	% of total voting rights	transferred through financial instruments
Mr. José María Abril Pérez	Other company shareholders	0.01 %	0.00 %	0.01 %	0.00 %
Mr. José Javier Echenique Landiríbar	Other company shareholders	0.00 %	0.00 %	0.00 %	0.00 %
Ms. María Luisa García Blanco	Other company shareholders	0.00 %	0.00 %	0.00 %	0.00 %
Mr. Francisco José Riberas Mera	Other company shareholders	0.21 %	0.00 %	0.21 %	0.00 %

List the total percentage of voting rights represented on the Board:

Total percentage of voting rights held by the Board of Directors

8.74%

A.7 Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes.

Parties to the shareholders' agreement:

Telefónica, S.A.

Prosegur Global Alarmas Row, S.L./ Prosegur Compañía de Seguridad, S.A.

% of share capital concerned:

0.86%

Brief description of the agreement:

On February 28, 2020, as part of the transaction whereby Telefónica de Contenidos, S.A. acquired 50% of the share capital of Prosegur Alarmas España, S.L. from Prosegur Global Alarmas Row, S.L., 49,545,262 shares of Telefónica, S.A. (the "Shares") were delivered to Prosegur Global Alarmas Row, S.L. as payment of the transaction price.

On the same day, Telefónica, S.A., Prosegur Global Alarmas Row, S.L., as shareholder, and Prosegur Compañía de Seguridad, S.A. as guarantor, signed a contract whereby Prosegur Global Alarmas Row, S.L. undertook, among other obligations, to assume certain restrictions on the transferability of the Shares delivered to it (the Shareholders' Agreement).

In particular, the Shareholders' Agreement restricted the free transfer of the Shares for a period of nine months from the date of signature and provides for a number of covenants governing the transfer of the Shares after that initial period.

This agreement was notified to the Spanish Securities and Exchange Commission as 'Other Relevant Information' on February 28, 2020, including a transcription of the relevant clauses included in the agreement relating to restrictions on the transferability and orderly sale of the Shares.

On December 2, 2020, Prosegur Global Alarmas Row, S.L. transferred 39,545,262 Shares to Prosegur Alarmas España, S.L. (company of the Prosegur Group). As a consequence of the transfer and the provisions of Clause 2.3 of the Shareholders' Agreement, Prosegur Alarmas España, S.L. entered into an agreement to adhere to the Shareholders' Agreement, becoming bound in its capacity as guarantor and shareholder.

Expiry date of the agreement, if any:

_

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

No.

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Spanish Securities Market Act. If so, please identify them:



- Strategy and growth model
 Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

No.

A.9 Complete the following table with details of the company's treasury shares:

At the closing date of the financial year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
85,217,621	_	1.48 %

(*) Through:

A.11 Estimated float:

	%
Estimated float	84.44 %

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market:

Yes.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

B. General Shareholders' Meeting

B.4 Give details of attendance at General Shareholders' Meetings held during the reporting yer and the two previous years:

Attendance data						
Date of general meeting	% physical	% present by -	% distance voting			
	presence	proxy	Electronic voting	Other	Total	
12/06/2020	0.07%	52.52%	0.14%	1.81%	54.54%	
Of which, float	0.01%	33.37%	0.14%	0.56%	34.08%	
23/04/2021	0.09%	54.94%	0.22%	1.65%	56.90%	
Of which, float	0.03%	36.48%	0.22%	0.30%	37.03%	
08/04/2022	0.08%	56.26%	0.75%	1.49%	58.58%	
Of which, float	0.01%	37.35%	0.75%	0.16%	38.27%	

B.5 Indicate whether there has been any item on the agenda at the general meetings held during the year that has not been approved by the shareholders.

No.

B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes.

Number of shares required to attend General Meetings	300
Number of shares required for voting remotely	300



- Strategy and growth model
 Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

C. Structure of the Company's **Administration**

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number of directors set by the General Meeting:

Maximum number of directors	
Minimum number of directors	5
Number of directors set by the general meeting	15
meeting	l)

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the Board	Date first appointed	Date of last appoint_ ment	Election procedure
Mr. José María Álvarez- Pallete López	_	Executive	Chairman	26/07/2006	23/04/2021	Resolution of General Shareholders' Meeting
Mr. Isidro Fainé Casas	_	Proprietary	Vice Chairman	26/01/1994	12/06/2020	Resolution of General Shareholders' Meeting
Mr. José María Abril Pérez	-	Proprietary	Vice Chairman	25/07/2007	08/04/2022	Resolution of General Shareholders' Meeting
Mr. José Javier Echenique Landiríbar	-	Independent	Vice Chairman	08/04/2016	12/06/2020	Resolution of General Shareholders' Meeting
Mr. Ángel Vilá Boix	_	Executive	Chief Operating Officer	26/07/2017	08/04/2022	Resolution of General Shareholders' Meeting
Mr. Juan Ignacio Cirac Sasturain	_	Independent	Director	08/04/2016	12/06/2020	Resolution of General Shareholders' Meeting
Mr. Peter Erskine	_	Other External	Director	25/01/2006	12/06/2020	Resolution of General Shareholders' Meeting
Ms. Carmen García de Andrés	_	Independent	Director	04/05/2017	23/04/2021	Resolution of General Shareholders' Meeting
Ms. María Luisa García Blanco	_	Independent	Director	25/04/2018	08/04/2022	Resolution of General Shareholders' Meeting
Mr. Peter Löscher	_	Independent	Director	08/04/2016	12/06/2020	Resolution of General Shareholders' Meeting
Ms. Verónica Pascual Boé	_	Independent	Director	18/12/2019	12/06/2020	Resolution of General Shareholders' Meeting
Mr. Francisco Javier de Paz Mancho	_	Other External	Director	19/12/2007	08/04/2022	Resolution of General Shareholders' Meeting
Mr. Francisco José Riberas Mera	_	Independent	Director	04/05/2017	23/04/2021	Resolution of General Shareholders' Meeting
Ms. María Rotondo Urcola	_	Independent	Director	29/09/2021	08/04/2022	Resolution of General Shareholders' Meeting
Ms. Claudia Sender Ramírez	_	Independent	Director	18/12/2019	12/06/2020	Resolution of General Shareholders' Meeting

Total number of directors



- Strategy and growth model
 Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

There were no cessations in the Board of Directors in 2022.

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisation chart of the company	Profile		
Mr. José María Álvarez-Pallete López	Executive Chairman	Degree in Economics. International Management Program (IMP) from IPADE Business School (Instituto Panamericano de Alta Dirección de Empresa). An Advance Research Degree from the Complutense University of Madrid.		
Mr. Ángel Vilá Boix	Chief Operating Officer (C.O.O.)	Degree in Industrial Engineering. MBA at Columbia Business School.		
Total number of executive directors	2			
Percentage of Board	13.33 %			



- Strategy and growth model
 Non-financial Information statement
 Risks

4. Annual Corporate Governance Report 5. Annual Report on Remuneration of the Directors 6. Other information

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
Mr. José María Abril Pérez	Banco Bilbao Vizcaya Argentaria, S.A.	Degree in Economics. Professor at the University of Deusto. He is currently Director of Arteche Lantegi Elekartea, S.A.
Mr. Isidro Fainé Casas	CaixaBank, S.A.	PhD in Economics. ISMP in Business Administration. Post graduate degree in senior management at IESE. An academic at the Royal Academy of Economic and Financial Sciences and at the Real Academia Europea de Doctores. Chairman and member of the Executive Commission of the Board of Trustees of Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa" and Criteria Caixa, S.A.U., Chairman of the Caixa Capital Risc SGEIC, S.A., Chairman of the Board of Directors of Inmo Criteria Caixa, S.A.U. and Special Advisory of the Board of the Bank of East Asia Limited. Chairman of the Spanish Confederation of Savings Banks (CECA), of the World Savings Bank Institute (WSBI) and Vice Chairman of European Savings Banks Group (ESBG). Chairman of the Spanish Confederation of Directors and Executives (CEDE) and the Spanish Chapter of the Club of Rome. Honorary Chairman of Naturgy Energy Group, S.A. Deputy-Chairman of the Royal Academy of Economic and Financial Sciences and Founder of the Círculo Financiero. Member of the Board of Trustees of the Museo Nacional del Prado and the Carlos Slim Foundation.

Total number of proprietary directors	2
Percentage of Board	13.33 %



- Strategy and growth model
 Non-financial Information statement
 Risks

- 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 6. Other information

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
Mr. Juan Ignacio Cirac Sasturain	Graduated in Theoretical Physics. PhD in Physics. Fields of specialization in Quantum Optics, Quantum Computation and Communication. Co-Director of the Munich Quantum Science and Technology Center. Director of the Theory Division, Max-Planck Institut für Quantenoptik and Member of the Max-Planck society. Director of the Max Planck International School of Quantum Sciences and Technologies. "Honorarprofessor", Technical University of Munich.
Mr. José Javier Echenique Landiríbar	Economics and Actuarial Sciences Graduate. Professor of Social Security Quantitative Techniques. Director of ACS Actividades de Construcción y Servicios, S.A., Director of Dragados, S.L. and Director of Calcinor, S.L. Trustee of Novia Salcedo Foundation, Advisory Counselor of the Deusto Business School and Member of the McKinsey Advisory Council.
Ms. Carmen García de Andrés	Degree in Economic and Business Sciences. Chairwoman of Tomillo Foundation. Member of the Asociación Española de Fundaciones (AEF), being currently its Treasurer and member of the Executive Committee. Member of the Trust of the Secretariado Gitano Foundation, of the Somos F5 Foundation and of the Xavier de Salas Foundation. Co-Founder and member of the Trust of "Aprendiendo a Ser" Foundation.
Ms. María Luisa García Blanco	Degree in Law. State Attorney (on leave of absence). Founding Partner at law firm Salama García Blanco, S.L.P. Director of Ibercaja Banco, S.A. Member of the Governance and Control Committee of CIMA. Chairwoman of the Committee of Experts of 65YMAS.COM.
Mr. Peter Löscher	Degree in Economics and Business. MBA at Vienna University of Economics. Advanced Management Program at Harvard Business School. Honorary Professor at Tongji University (Shanghai). Honorary Doctorate of Engineering from Michigan State University. Doctor Honoris Causa of Slovak University of Engineering in Bratislava. Member of the Supervisory Board of Royal Philips, member of the Board of Thyssen-Bornemisza Group AG, and non-executive member of the Board of Directors of Doha Venture Capital LLC, Qatar.
Ms. Verónica Pascual Boé	Degree in Aeronautical Engineering. Master in Business Administration (MBA). Executive Master in Positive Leadership and Strategy (EXMPLS) from IE Business School. Several postgraduate qualifications from INSEAD, Stanford and Harvard Business School. Leaded a Group of companies involved in digital transformation headed by ASTI Mobile Robotics Group. Chairwoman of the ASTI Tecnología y Talento Foundation. Director of General de Alquiler de Maquinaria, S.A. (GAM).
Mr. Francisco José Riberas Mera	Degree in Law and in Economics and Business Administration. Chief Executive Officer of Gestamp Automoción, S.A. Member of the Board of Directors of CIE Automative, S.A. and of Walbox N.V. He is part of the management body of certain companies belonging to Gestamp's Group and family holding companies Acek, including companies belonging to the Groups Gonvarri, Acek Energías Renovables and Inmobiliaria Acek. Chairman of the Spain-China Board Foundation. Chairman of Sernauto (Asociación Española de Proveedores de Automoción).
Ms. María Rotondo Urcola	Degree in Economics and Business Administration. She has received complementary training at various institutions such as ESG Academy/Foretica, IESE, IC-A, EEC, IMD, NYU, Harvard, Boston College, among others. She teaches Special Operations Communication at the Master in Investor Relations at Bolsas y Mercados (BME). Co-Director and lecturer in the Corporate Governance and Sustainability Programme of the Instituto de Empresa (IE) SYCA. Independent Director of CACEIS Bank Spain and of Santander CACEIS Latam Holdo, and Independent Director of Libertas 7.
Ms. Claudia Sender Ramírez	Degree in Chemical Engineering. Master in Business Administration (MBA) at Harvard Business School. Director of Holcim Ltd, Director of Gerdau, S.A., Director of Embraer, Empresa Brasileira de Aeronáutica, S.A. and Director of Materlúgica Gerdau, S.A. Director of the NGO Amigos do Bem.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Total number of independent directors	9
Percentage of Board	60.00 %

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

--

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
Mr. Peter Erskine	Mr. Peter Erskine was appointed Director of Telefónica, S.A. in 2006, and therefore, in accordance with article 529 duodecies of the Spanish Companies Act ("Those who, among other situations, have been Directors for a continuous period of more than 12 years may not be considered Independent Directors under any circumstances"), and 12 years after his appointment, he was reclassified from Independent Director to 'Other External' Director.	Telefónica, S.A.	Degree in Psychology. Honorary Doctorate from the University of Reading.Until December 2007 he was Director and Chief Executive Officer of Telefónica Europe Plc, then becoming a non- executive Director. From 2009 to 2015 he was Chairman of Ladbrokes, Plc. Chairman of the Charity Brainstorm organization.
Mr. Francisco Javier de Paz Mancho	Mr. Francisco Javier de Paz Mancho was appointed Director of Telefónica, S.A. in 2007, and therefore, in accordance with article 529 duodecies of the Spanish Companies Act ("Those who, among other situations, have been Directors for a continuous period of more than 12 years may not be considered Independent Directors under any circumstances"), and 12 years after his appointment, he was reclassified from Independent Director to 'Other External' Director.	Telefónica, S.A.	Graduate in Information and Advertising. Law Studies. IESE business Management Program (University of Navarra). Formerly Chairman of the State owned company MERCASA. From July 2016 to December 2021, he was Chairman of Telefónica Ingeniería de Seguridad, S.A. From 2014 to 2016, he was Chairman of Telefónica Gestión de Servicios Compartidos, S.A.U. He is currently a Director of Telefónica Brasil, S.A. and Telefónica Audiovisual Digital, S.L.U.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Total number of other external directors	2
Percentage of Board	13.33 %

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director Date of change		Previous category	Current category	
_	_	_		

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors			% of to	tal directors	for each ca	tegory	
	Year 2022	Year 2021	Year 2020	Year 2019	Year 2022	Year 2021	Year 2020	Year 2019
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	5	5	5	5	55.56%	55.56%	55.56%	55.56%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	5	5	5	5	33.33%	33.33%	29.41%	29.41%

C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
Mr. José María Alvarez-Pallete López	VMED O2 UK Ltd.	Director
Mr. Isidro Fainé Casas	Fundación Bancaria "la Caixa"	Chairman
	Criteria Caixa, S.A.U.	Chairman
	Inmo Criteria Caixa, S.A.U.	Chairman
	Caixa Capital Risc, SGEIC, S.A.	Chairman
	Confederación Española de Cajas de Ahorros (CECA)	Chairman
	World Savings Banks Institute (WSBI)	Chairman
	European Savings Banks Group (ESBG)	Vice-Chairman
	Confederación Española de Directivos y Ejecutivos (CEDE)	Chairman
	Capítulo Español del Club de Roma	Chairman
	Real Academia de las Ciencias Económicas y Financieras (RACEF)	Vice-Chairman
Mr. José María Abril Pérez	Arteche Lantegi Elkartea, S.A.	Director

- Strategy and growth model
 Non-financial Information statement
 Risks

4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 6. Other information

Mr. José Javier Echenique Landiríbar	ACS, Actividades de Construcción y Servicios, S.A.	Director
	Telefónica Audiovisual Digital, S.L.U. (Telefónica Group)	Director
	Calcinor, S.L.	Director
	Dragados, S.L.	Director
Mr. Ángel Vilá Boix	VMED O2 UK Ltd.	Director
Mr. Peter Erskine	VMED O2 UK Ltd.	Director
Ms. María Luisa García Blanco	Ibercaja Banco, S.A.	Director
Mr. Peter Löscher	Royal Philips N.V.	Director
	Telefónica Deutschland Holding, AG (Telefónica Group)	Chairman
	Thyssen-Bornemisza Group AG	Director
	Doha Venture Capital LLC	Director
Ms. Verónica Pascual Boé	General de Alquiler de Maquinaria, S.A. (GAM)	Director
	Albp. Corp. S.L.U.	Sole Administrator
	ALBP SCR	Sole Administrator
	Asmv Technologies Distribution S.L.U.	Sole Administrator
	Manco Partners S.L.	Sole Administrator
	Fundación Asti Talent and Technology	Chairwoman
	Asti Mobile Robotics Inc	Sole Administrator
Mr. Francisco Javier de Paz Mancho	Telefónica Brasil, S.A. (Telefónica Group)	Director
	Telefónica Audiovisual Digital, S.L.U. (Telefónica Group)	Director
Mr. Francisco José Riberas Mera	Acek Desarrollo y Gestión Industrial, S.L.	Representativ of Director
	Gestamp Automoción, S.A.	Chairman
	Sociedades del Grupo Gestamp Automoción	Director
	Holding Gonvarri, S. L.	Secretary Director
	Acek Energías Renovables, S.L.	Joint Administrator
	Sociedades del Grupo Acek Energías Renovables	Director
	Inmobiliaria Acek, S.L.	Joint Administrator
	Sociedades del Grupo Inmobiliaria Acek	Director
	CIE Automotive, S.A.	Director
	Otras sociedades participadas por Acek, Desarrollo y Gestión Industrial, S.L.	Director
	Orilla Asset Management, S.L.	Sole Administrator
	Q-Energy Tenencia y Gestión III, SCR, S.A.	Director
	Wallbox, N.V.	Director
	Otras sociedades participadas por Orilla Asset Management, S.L.	Director



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Ms. María Rotondo Urcola	Caceis Bank Spain, S.A.U.	Director
	Libertas 7	Director
	Santander Caceis Latam Holding 1, S.L.	Director
Ms. Claudia Sender Ramírez	Holcim Ltd.	Director
	Gerdau, S.A.	Director
	Embraer, la Empresa Brasileira de Aeronáutica, S.A.	Director
	Metalúrgica Gerdau, S.A.	Director
	Amigos do Bem	Director

Listed below are the positions indicated in the table above that are remunerated:

Mr. Isidro Fainé Casas: Chairman of Criteria Caixa, S.A.U.; Chairman of Inmo Criteria Caixa, S.A.U.; Chairman of Caixa Capital Risc, SGEIC, S.A.; and Chairman of Confederación Española de Cajas de Ahorros (CECA).

Mr. José María Abril Pérez: Director of Arteche Lantegi Elkartea, S.A.

Mr. José Javier Echenique Landiríbar: Director of ACS, Actividades de Construcción y Servicios, S.A.; Director of Telefónica Audiovisual Digital, S.L.U.; Director of Grupo Calcinor, S.L.; and Director of Dragados, S.L.

Mr. Peter Erskine: Director of VMED O2 UK Limited.

Mr. Peter Löscher: Director of Royal Philips N.V.; Chairman of Telefónica Deutschland Holding, AG; Director of Thyssen-Bornemisza Group AG; and Director of Doha Venture Capital LLC.

Ms. Verónica Pascual Boé: Director of General de Alquiler de Maquinaria, S.A. (GAM).

Mr. Francisco Javier de Paz Mancho: Director of Telefónica Brasil, S.A. and Director of Telefónica Audiovisual Digital, S.L.U.

Mr. Francisco José Riberas Mera: Representative of Director of Acek Desarrollo y Gestión Industrial, S.L.; Chairman of Gestamp Automoción, S.A.; Director of Group Companies Gestamp Automoción; Sole Director of Orilla Asset Management, S.L., and Director of Wallbox, N.V.

Ms. María Rotondo Urcola: Director of Caceis Bank Spain, S.A.U.; Director of Libertas 7; and Director of Santander Caceis Latam Holding 1, S.L.

Ms. Claudia Sender Ramírez: Director of Holcim Ltd; Director of Gerdau, S.A.; Director of Embraer, Empresa Brasileira de Aeronáutica, S.A., and Director of Metalúrgica Gerdau, S.A.

Ms. María Luisa García Blanco: Director of Ibercaja Banco, S.A.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Mr. José Javier Echenique Landiríbar: Member of the Advisory Board of Telefónica España and Member of McKinsey Advisory Council.

Mr. José María Abril Pérez: Advisor of Madlane Bay, S.L.

Mr. Juan Ignacio Cirac Sasturain: Director of the Max-Planck Theory Division, Institut fur Quantenoptik; Director and scientific member of the Max Planck Society (Germany); Member of the Advisory Board of Telefónica Tech, and member of the Advisory Board of Seguridad de Telefónica Ingeniería de Seguridad.

Ms. María Luisa García Blanco: Member of the Advisory Board of Telefónica España; Partner of Salama García Blanco Abogados; and Member of the CIMA Governance and Control Committee.

Mr. Francisco Javier de Paz Mancho: Member of the Advisory Boards of Telefónica España and Telefónica Hispanoamérica.

Ms. María Rotondo Urcola: Co-Director Exec Education SYCA of IE Instituto de Empresa; Professor of IE Instituto de Empresa; and Professor of BME.

Ms. Claudia Sender Ramírez: Member of the Advisory Boards of Telefónica Tech and Telefónica Hispanoamérica.

Ms. Verónica Pascual Boé: Member of the Advisory Board of Telefónica Tech, and Global Manager of Robótica Móvil Autónoma ABB Espala.

Ms. Carmen García de Andrés: Sporadic lectures and classes in various educational institutions.

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes.





- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	15,710
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	2,120
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	17,744
Pension rights accumulated by former directors (thousands of euros)	509

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the financial year:

Name or company name	Position(s)	
Mr. Pablo de Carvajal González	General Secretary and Secretar Board of Directors, Director Glo Regulation and Head of Securit	bal of
Ms. Laura Abasolo García de Baquedano	Chief Financial and Control Offi Head of Hispanoamérica	cer &
Mr. Eduardo Navarro de Carvalho	Chief Corporate Affairs & Susta Officer	inability
Mr. Mark Evans	Chief Strategy & Development	Officer
Mr. Juan Francisco Gallego Arrechea	General Manager of Internal Au	dit
Number of women i management	n senior	1
Percentage of total management	senior	20 %
Total remuneration (thousand euros)	of senior management	11,375

C.1.15 Indicate whether the Board regulations were amended during the year

No.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes.

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

No.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of Board meetings	14
Number of Board meetings held without the	
chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	1

Indicate the number of meetings held by each Board committee during the financial year:

Number of meetings held by the Executive Committee	15
Number of meetings held by the Audit and Control Committee	12
Number of meetings held by the Nominating, Compensation and Corporate Governance Committee	12
Number of meetings held by the Sustainability and Quality Committee	10
Number of meetings held by the Regulation and Institutional Affairs Committee	11
Number of meetings held by the Strategy and Innovation Committee	9



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings at which at least 80% of the directors were present in person	13
Attendance in person as a % of total votes during the year	96.67 %
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	14
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100 %

C. 1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

C.1.29 Is the secretary of the Board also a director?

No.

If the secretary is not a director, complete the following table:

Name or company name of the	
secretary	Representative
Mr. Pablo de Carvajal González	_

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

No

If there were any disagreements with the outgoing auditor, explain their content:

No.

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes.

	Company	Group Company	Total
Amount of non- audit work (thousands of euros)	765	595	1.360
Amount of non- audit work / Amount of audit work (%)	19.29	3.7	6.78

Observations

That amount is full related to Audit-related services: work related to the review of the information required by regulatory authorities, agreed financial reporting procedures not requested by legal or regulatory bodies, the issuance of comfort letters, the report on the information relating to the system of internal control over financial reporting (ICFR), and the verification of the non-financial information in the annual reports. The company and/or its Group has not engaged the audit firm for any services other than audit or audit-related services.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

No.

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

	Individual	Consolidated
Number of consecutive years	6	6
Number of years audited by the current audit firm/ number of years in which the company has been audited (in %)	15	18.75

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes.

Detail the procedure

The Company adopts the necessary measures, whenever possible, that the Directors receive the necessary information, specially drawn up and geared to preparing the meetings of the Board and its Committees, sufficiently in advance. Under no circumstances shall such a requirement not be fulfilled, on the grounds of the importance or the confidential nature of the information, apart from absolutely exceptional cases.

In this regard, and in accordance with Articles 18 and 20 of the Regulation of the Board of Directors, at the beginning of each year the Board of Directors and its Committees set the calendar of ordinary meetings to be held during the year. The calendar may be amended by resolution of the Board itself, or by decision of the Chairman, in which case the Directors shall be made aware of the amendment as soon as practicable. Likewise, the Regulations of the Audit and Control Committee and the Regulations of the Nominations, Compensation and Good Governance Committee detail the operating regime of these Committees.

Also, the Board and its Committees shall prepare an Action Plan detailing the actions to be carried out and their timing for each year, as per their assigned powers and duties

Likewise, all the meetings of the Board and the Board Committees have a pre-established agenda, which is communicated at least three days prior to the date scheduled for the meeting together with the call for the session. The Agenda for each meeting will clearly state points on which the Board of Directors, or the Executive Committee, have to adopt a decision or resolution.

For the same purpose, in general, the Directors are sent the documentation related to the agenda of the meetings sufficiently in advance. In accordance with Article 19 of the Regulations of the Board of Directors, the Chairman of the Board of Directors organizes the debates, promoting and encouraging all Directors to play an active role in the deliberations, safeguarding their right to freely adopt their own position on all matters. Moreover, with the assistance of the Secretary, he shall ensure that the Directors are sent sufficient information to discuss the points set out in the agenda sufficiently in advance of the meeting. He also ensures that sufficient time is given over to discussing strategic matters, and shall encourage debate during meetings, safeguarding the Directors' right to adopt their positions freely on all points discussed.

To provide all the information and clarifications necessary in relation to certain points deliberated, the Group's senior executive officers attend nearly all the Board and Committee meetings to explain the matters within their powers.

Furthermore, and as a general rule, the Regulations of the Board of Directors (Article 27) expressly establish that Directors are granted the broadest powers to obtain information about all aspects of the Company, to examine its books, records, documents and other data regarding corporate transactions. Exercising of this right to receive information shall be channeled through the Chairman or Secretary to the Board of Directors, who shall respond to the requests made by the Directors, providing them with the requested information directly or offering them the proper contacts at the appropriate level of the organization.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries 9 Type of beneficiary Executive Directors, Senior Managers and other Employees

Description of Agreement: With regards to the conditions applicable to termination of contracts, the Executive Chairman, Mr. José María Álvarez-Pallete López, and the Chief Operating Officer (C.O.O.), Mr. Ángel Vilá Boix, maintain the conditions of his previous contract which provided for agreed economic compensation for the termination of the employment relationship, where applicable, that can amount to four years' of remuneration at the most. Annual remuneration on which the indemnity is based is the last fixed remuneration and the arithmetic



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

mean of the last two variable remuneration payments received by contract.

Regarding the contracts of members of Senior Management, in general, they are contractually entitled the right to receive the economic compensation indicated below in the event that their employment relationship is ended for reasons attributable to the Company or, in some instances, is due to objective reasons such as a change of control in the Company. However, if the employment relationship is terminated because of a breach attributable to the Executive, he/she will not be entitled to any compensation whatsoever. That notwithstanding, in certain cases the severance benefit to be received by the member of Senior Management according to their contract is not calculated as per these general criteria, but rather is based on other circumstances of a personal or professional nature or on the time when the contract was signed. The agreed economic compensation for the termination of the employment relationship, where applicable, consists of a maximum of three times annual remuneration plus another year based on length of service at the Company. Annual remuneration on which the indemnity is based is the last fixed remuneration and the arithmetic mean of the last two variable remuneration payments received by contract.

Meanwhile, contracts that tie employees to the Company under a common employment relationship do not include indemnity clauses for the termination of their employment. In these cases, the employee is entitled to any indemnity set forth in prevailing labor legislation. However, contracts of some company employees, depending on their level and seniority, as well as their personal or professional circumstances or when they signed their contracts, establish their right to receive compensation in the same cases as in the preceding paragraph, generally consisting of a year and a half salary. The annual salary on which the indemnity is based is the last fixed salary and the average amount of the last two variable payments received by contract.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of directors	Genera Shareh Meetir	nolders'
Body authorizing the clauses	-		-
Are these clauses not General Shareholders		No	

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

EXECUTIVE COMMISSION

Name	Position	Current	
Mr. José María Álvarez- Pallete López	Chairman	Executive	
Mr. Isidro Fainé Casas	Vice Chairman	Proprietary	
Mr. José María Abril Pérez	Vice Chairman	Proprietary	
Mr. José Javier Echenique Landiríbar	Vice Chairman	Independent	
Mr. Ángel Vilá Boix	Member	Executive	
Mr. Peter Erskine	Member	Other External	
Mr. Peter Löscher	Member	Independent	
Mr. Francisco Javier de Paz Mancho	Member	Other External	
% of executive directors		25.00%	
% of proprietary directors	25.00%		
% of independent director	25.00%		
% of external directors	25.00%		

AUDIT AND CONTROL COMMITTEE

Name	Position	Current	
Mr. Peter Löscher	Chairman	Independent	
Mr. José Javier Echenique Landiríbar	Member	Independent	
Ms. Carmen García de Andrés	cía de Member Independ		
Ms. María Rotondo Urcola	Member	Independent	
% of executive directors	0.00%		
% of proprietary directors	0.00%		
% of independent director	100.00%		
% of other external direct	0.00%		



- Strategy and growth model
 Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience
Mr. Peter Löscher
Mr. José Javier Echenique Landiríbar
Ms. Carmen García de Andrés
Ms. María Rotondo Urcola
Date of appointment of the chairperson
19/02/2020

NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Independent	
Ohla an Eustana al	
Other External	
Independent	
Independent	
Other External	
0.00%	
0.00%	
60.00%	
40.00%	

REGULATION AND INSTITUTIONAL AFFAIRS COMMITTEE

Name	Position	Current
Mr. Francisco Javier De Paz Mancho	Chairman	Other External
Mr. Juan Ignacio Cirac Sasturain	Member	Independent
Ms. María Luisa García Blanco	Member	Independent
Ms. Carmen García de Andrés	Member	Independent

0.00%
0.00%
75.00%
25.00%

SUSTAINABILITY AND QUALITY COMMITTEE

Name	Position	Current
Ms. María Luisa García Blanco	Chairman	Independent
Mr. Juan Ignacio Cirac Sasturain	Member	Independent
Ms. Carmen García Andrés	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Other External
Ms. María Rotondo Urcola	Member	Independent
Ms. Claudia Sender Ramírez	Member	Independent
% of executive directors	0.00%	
% of proprietary directors	0.00%	
% of independent directors	83.33%	
% of other external directo	16.67%	

STRATEGY AND INNOVATION COMMITTEE

Name	Position	Current	
Mr. Peter Erskine	Chairman	Other External	
Mr. José María Abril Pérez	Member	Proprietary	
Mr. Juan Ignacio Cirac Sasturain	Member	Independent	
Ms. Verónica Pascual Boé	Member	Independent	
Ms. Claudia Sender Ramírez	Member	Independent	
% of executive directors	0.00%		
% of proprietary directors	20.00%		
% of independent directors	60.00%		
% of other external directo	20.00%		



- Strategy and growth model
 Non-financial Information statement
 Risks

- 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 - 6. Other information

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

Number of female directors					
	2022 Year Number %	2021 Year Number %	2020 Year Number %	2019 Year Number %	
Executive Commission	0	0	0	0	
Audit and Control Committee	2 (50.00%)	2 (50.00%)	1 (25.00%)	1 (25.00%)	
Nominating, Compensation and Corporate Governance Committee	1 (20.00%)	1 (20.00%)	1 (20.00%)	2 (40.00%)	
Regulation and Institutional Affairs Committee	2 (50.00%)	2 (50.00%)	1 (25.00%)	1 (25.00%)	
Sustainability and Quality Committee	4 (66.67%)	4 (66.67%)	2 (40.00%)	2 (50.00%)	
Strategy and Innovation Committee	2 (40.00%)	2 (40.00%)	1 (16.67%)	1 (16.67%)	



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

D. Related-Party and Intragroup Transactions

D.2 Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the Board without a vote against the majority of the independents:

	Name or company name of the shareholder or any of its subsidiaries	% Shareholding	Name or company name of the company or entity within its group	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against the majority of independents
(1)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	3,624	Board of Directors	Proprietary Director BBVA	N/A
(2)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	1,467	Board of Directors	Proprietary Director BBVA	N/A
(3)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	273	Board of Directors	Proprietary Director BBVA	N/A
(4)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	1,680	Board of Directors	Proprietary Director BBVA	N/A
(5)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	15,456	Board of Directors	Proprietary Director BBVA	N/A
(6)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	52,981	Board of Directors	Proprietary Director BBVA	N/A
(7)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	235,800	Board of Directors	Proprietary Director BBVA	N/A
(8)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	785	Board of Directors	Proprietary Director BBVA	N/A
(9)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	77,385	Board of Directors	Proprietary Director BBVA	N/A
(10)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	5,286,117	Board of Directors	Proprietary Director BBVA	N/A
(11)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	226,513	Board of Directors	Proprietary Director BBVA	N/A
(12)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	785	Board of Directors	Proprietary Director BBVA	N/A
(13)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	52,981	Board of Directors	Proprietary Director BBVA	N/A
(14)	BBVA and/or Group BBVA	4.87	Telefónica, S.A.	235,800	Board of Directors	Proprietary Director BBVA	N/A
(15)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	7.263	Board of Directors	Proprietary Director BBVA	N/A
(16)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	5.363	Board of Directors	Proprietary Director BBVA	N/A

The proposal



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

(17)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	2.166	Board of Directors	Proprietary Director BBVA	N/A
(18)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	901	Board of Directors	Proprietary Director BBVA	N/A
(19)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	12,641	Board of Directors	Proprietary Director BBVA	N/A
(20)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	264	Board of Directors	Proprietary Director BBVA	N/A
(21)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	39,635	Board of Directors	Proprietary Director BBVA	N/A
(22)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	7,157	Board of Directors	Proprietary Director BBVA	N/A
(23)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	771	Board of Directors	Proprietary Director BBVA	N/A
(24)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	5,813	Board of Directors	Proprietary Director BBVA	N/A
(25)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	86,906	Board of Directors	Proprietary Director BBVA	N/A
(26)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	165,008	Board of Directors	Proprietary Director BBVA	N/A
(27)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	221	Board of Directors	Proprietary Director BBVA	N/A
(28)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	12,190	Board of Directors	Proprietary Director BBVA	N/A
(29)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	491,956	Board of Directors	Proprietary Director BBVA	N/A
(30)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	41,518	Board of Directors	Proprietary Director BBVA	N/A
(31)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	14,261	Board of Directors	Proprietary Director BBVA	N/A
(32)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	12,195	Board of Directors	Proprietary Director BBVA	N/A
(33)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	18	Board of Directors	Proprietary Director BBVA	N/A
(34)	BBVA and/or Group BBVA	4.87	Rest of Telefónica Group	86,906	Board of Directors	Proprietary Director BBVA	N/A
(35)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	554	Board of Directors	Proprietary Director CaixaBank	N/A
(36)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	1,799	Board of Directors	Proprietary Director CaixaBank	N/A
(37)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	3	Board of Directors	Proprietary Director CaixaBank	N/A
(38)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	43,250	Board of Directors	Proprietary Director CaixaBank	N/A
(39)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	200	Board of Directors	Proprietary Director CaixaBank	N/A
(40)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	56	Board of Directors	Proprietary Director CaixaBank	N/A
(41)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	68,701	Board of Directors	Proprietary Director CaixaBank	N/A
(42)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	263,666	Board of Directors	Proprietary Director CaixaBank	N/A



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

Consolidated management report 2022		
(43)	CaixaBank and/ or Group CaixaBank	3.5

Telefónica

(43)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	40,997	Board of Directors	Proprietary Director CaixaBank	N/A
(44)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	56	Board of Directors	Proprietary Director CaixaBank	N/A
(45)	CaixaBank and/ or Group CaixaBank	3.5	Telefónica, S.A.	43,250	Board of Directors	Proprietary Director CaixaBank	N/A
(46)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	27,802	Board of Directors	Proprietary Director CaixaBank	N/A
(47)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	3,407	Board of Directors	Proprietary Director CaixaBank	N/A
(48)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	457,637	Board of Directors	Proprietary Director CaixaBank	N/A
(49)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	2	Board of Directors	Proprietary Director CaixaBank	N/A
(50)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	84	Board of Directors	Proprietary Director CaixaBank	N/A
(51)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	69,440	Board of Directors	Proprietary Director CaixaBank	N/A
(52)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	51,392	Board of Directors	Proprietary Director CaixaBank	N/A
(53)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	794	Board of Directors	Proprietary Director CaixaBank	N/A
(54)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	82,294	Board of Directors	Proprietary Director CaixaBank	N/A
(55)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	260	Board of Directors	Proprietary Director CaixaBank	N/A
(56)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	148,229	Board of Directors	Proprietary Director CaixaBank	N/A
(57)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	159,573	Board of Directors	Proprietary Director CaixaBank	N/A
(58)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	657,014	Board of Directors	Proprietary Director CaixaBank	N/A
(59)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	30,236	Board of Directors	Proprietary Director CaixaBank	N/A
(60)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	104,822	Board of Directors	Proprietary Director CaixaBank	N/A
(61)	CaixaBank and/ or Group CaixaBank	3.5	Rest of Telefónica Group	148,229	Board of Directors	Proprietary Director CaixaBank	N/A

Strategy and growth model
 Non-financial Information statement
 Risks

4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors

	r informa	

	Name or company name of the shareholder or any	Nature of the	
	of its subsidiaries	relationship	Type of operation and other information required for its evaluation
(1)	BBVA and/or Group BBVA	Contractual	Financial expenses
(2)	BBVA and/or Group BBVA	Contractual	Receipt of services
(3)	BBVA and/or Group BBVA	Contractual	Other expenses
(4)	BBVA and/or Group BBVA	Contractual	Financial revenues
(5)	BBVA and/or Group BBVA	Contractual	Dividends received
(6)	BBVA and/or Group BBVA	Contractual	Finance Agreements: Loans (Borrower)
(7)	BBVA and/or Group BBVA	Contractual	Finance Agreements: Others (Borrower)
(8)	BBVA and/or Group BBVA	Contractual	Finance Agreements: Loans (Lender)
(9)	BBVA and/or Group BBVA	Contractual	Dividends and other distributed earnings
(10)	BBVA and/or Group BBVA	Contractual	Derivatives (same operation as line 11, for the amount of notional value)
(11)	BBVA and/or Group BBVA	Contractual	Derivatives (same operation as line 10, for the amount of fair value)
(12)	BBVA and/or Group BBVA	Contractual	Other receivables
(13)	BBVA and/or Group BBVA	Contractual	Loans and receivables received
(14)	BBVA and/or Group BBVA	Contractual	Other payment obligations
(15)	BBVA and/or Group BBVA	Contractual	Financial expenses
(16)	BBVA and/or Group BBVA	Contractual	Receipt of services
(17)	BBVA and/or Group BBVA	Contractual	Remunerations
(18)	BBVA and/or Group BBVA	Contractual	Other expenses
(19)	BBVA and/or Group BBVA	Contractual	Financial revenues
(20)	BBVA and/or Group BBVA	Contractual	Collaboration agreements
(21)	BBVA and/or Group BBVA	Contractual	Service delivery
(22)	BBVA and/or Group BBVA	Contractual	Sale of goods (finished or in progress)
(23)	BBVA and/or Group BBVA	Contractual	Gains on derecognition or disposal of assets
(24)	BBVA and/or Group BBVA	Contractual	Other revenues
(25)	BBVA and/or Group BBVA	Contractual	Finance Agreements: Loans (Borrower)
(26)	BBVA and/or Group BBVA	Contractual	Guarantees and collaterals received
(27)	BBVA and/or Group BBVA	Contractual	Commitments made



Strategy and growth model
 Non-financial Information statement
 Risks

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

(28)	BBVA and/or Group BBVA	Contractual	Finance Agreements: Loans (Lender)
(29)	BBVA and/or Group BBVA	Contractual	Derivatives (same operation as line 30, for the amount of notional value)
(30)	BBVA and/or Group BBVA	Contractual	Derivatives (negative value) (same operation as line 29, for the amount of fair value)
(31)	BBVA and/or Group BBVA	Contractual	Trade receivables and trade debtors
(32)	BBVA and/or Group BBVA	Contractual	Other receivables
(33)	BBVA and/or Group BBVA	Contractual	Suppliers and trade creditors
(34)	BBVA and/or Group BBVA	Contractual	Loans and receivables received
(35)	CaixaBank, and/or Group CaixaBank	Contractual	Financial expenses
(36)	CaixaBank, and/or Group CaixaBank	Contractual	Receipt of services
(37)	CaixaBank, and/or Group CaixaBank	Contractual	Other expenses
(38)	CaixaBank, and/or Group CaixaBank	Contractual	Finance Agreements: Others (Borrower)
(39)	CaixaBank, and/or Group CaixaBank	Contractual	Guarantees and collaterals received
(40)	CaixaBank, and/or Group CaixaBank	Contractual	Finance Agreements: Loans (Lender)
(41)	CaixaBank, and/or Group CaixaBank	Contractual	Dividends and other distributed earnings
(42)	CaixaBank, and/or Group CaixaBank	Contractual	Derivatives (same operation as line 43, for the amount of notional value)
(43)	CaixaBank, and/or Group CaixaBank	Contractual	Derivatives (same operation as line 42, for the amount of fair value)
(44)	CaixaBank, and/or Group CaixaBank	Contractual	Other receivables
(45)	CaixaBank, and/or Group CaixaBank	Contractual	Other payment obligations
(46)	CaixaBank, and/or Group CaixaBank	Contractual	Financial expenses
(47)	CaixaBank, and/or Group CaixaBank	Contractual	Receipt of services
(48)	CaixaBank, and/or Group CaixaBank	Contractual	Purchase of goods (finished or in progress)
(49)	CaixaBank, and/or Group CaixaBank	Contractual	Other expenses
(50)	CaixaBank, and/or Group CaixaBank	Contractual	Financial revenues
(51)	CaixaBank, and/or Group CaixaBank	Contractual	Service delivery
(52)	CaixaBank, and/or Group CaixaBank	Contractual	Sale of goods (finished or in progress)
(53)	CaixaBank, and/or Group CaixaBank	Contractual	Other revenues
(54)	CaixaBank, and/or Group CaixaBank	Contractual	Purchases of intangible assets
(55)	CaixaBank, and/or Group CaixaBank	Contractual	Purchases of tangible fixed assets
(56)	CaixaBank, and/or Group CaixaBank	Contractual	Finance Agreements: Loans (Borrower)



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

(57)	CaixaBank, and/or Group CaixaBank	Contractual	Guarantees and collaterals received
(58)	CaixaBank, and/or Group CaixaBank	Contractual	Commitments made
(59)	CaixaBank, and/or Group CaixaBank	Contractual	Trade receivables and trade payables
(60)	CaixaBank, and/or Group CaixaBank	Contractual	Suppliers and trade creditors
(61)	CaixaBank, and/or Group CaixaBank	Contractual	Loans and receivables

D.3 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

D.4 Report individually on intragroup transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

D.5 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Pieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

G. Degree of Compliance with Corporate Governance Recommendations

Specify the Company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

 That the Articles of Association of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Explain

In accordance with Article 26 of the Corporate Bylaws, no shareholder may cast a number of votes in excess of 10 percent of the total voting capital existing at any time, regardless of the number of shares held by such shareholder and in full compliance with mandatory requirements of law. In determining the maximum number of votes that each shareholder may cast, only the shares held by each such shareholder shall be computed. It does not include additional votes cast on behalf of other shareholders who may have appointed them as proxy, who are themselves likewise restricted by the 10 percent voting ceiling.

The limitation established in the preceding paragraphs shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholder companies belonging to the same group of entities, as well as to the maximum number of votes that may be cast by an individual or corporate shareholder and the entity or entities that are shareholders themselves and which are directly or indirectly controlled by such individual or corporate shareholder.

In addition, Article 30 of the Corporate Bylaws stipulates that no person may be appointed as Director unless they have held, for more than three years prior to their appointment, a number of shares of the Company representing a nominal value of at least 3,000 euros, which the Director may not transfer while in office. These requirements shall not apply to those persons who, at the time of their appointment, are related to the Company under an employment or professional relationship, or when the Board of

Directors resolves to waive such requirements with the favorable vote of at least 85 percent of its members.

Article 31 of the Corporate Bylaws establishes that, in order for a Director to be appointed Chairman, Vice-Chairman, Chief Executive Officer or member of the Executive Commission, it shall be necessary for such Director to have served on the Board for at least the three years immediately prior to any such appointment. However, such length of service shall not be required if the appointment is made with the favorable vote of at least 85 percent of the members of the Board of Directors

The Corporate Bylaws (Article 26) restrict the number of shares that may be cast by a single shareholder or by shareholders belonging to the same group in order to achieve a suitable balance and protect the position of minority shareholders, thus avoiding a potential concentration of votes among a reduced number of shareholders, which could impact on the guiding principle that the General Shareholders' Meeting must act in the social interest and interest of all the shareholders. Telefónica believes that this measure does not constitute a blocking mechanism of takeover bids but rather a guarantee that the acquisition of control required the sufficient support of all shareholders, because, naturally, and as taught by experience, potential offerors may make their offer conditional upon the removal of this requirement.

In relation to the above and in accordance with the provisions of Article 527 of the Spanish Corporations Act, any clauses in the Bylaws of listed corporations that directly or indirectly restrict the number of shares that may be cast by a single shareholder by shareholders belonging to the same group or by any parties acting together with the aforementioned, will rendered null and void when, subsequent to a takeover bid, the offeror has a stake equal to or over 70% of the share capital which confers voting rights, unless the offeror was not subject to neutralization measures to prevent a takeover bid or had not adapted these measures accordingly.

In addition, the special requirements for appointment as Director (Article 30 of the Corporate Bylaws) or as Chairman, Vice-Chairman, Chief Operating Officer or member of the Executive Commission (Article 31 of the Corporate Bylaws) are justified by the desire that access to the management decision-making body and to the most significant positions thereon is reserved to persons who have demonstrated their commitment to the Company and who, in addition, have adequate experience as members of the Board, such that continuity of the management model adopted by the Telefónica Group may be assured in the interest of all of its shareholders and stakeholders. In any event, these special requirements may be waived by broad consensus among the members of the Board of Directors, namely, with the favorable vote of at least 85



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

percent of its members, as provided by the aforementioned Articles of the Corporate Bylaws.

- 2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to the those of any of them it should make accurate public disclosures on:
 - a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
 - b) The mechanisms in place to resolve any conflicts of interest that may arise.

Not applicable

- 3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:
 - a) Changes that have occurred since the last General Shareholders' Meeting.
 - b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may

consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies

- 6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:
 - a) Report on the auditor's independence.
 - Reports on the workings of the audit and nomination and remuneration committees.
 - c) Report by the audit committee on relatedparty transactions.

Complies

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and, to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report,



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies

- 10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:
- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals is communicated.

Not applicable

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Not applicable

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies

- 14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board that:
 - a) Is concrete and verifiable;
 - b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
 - c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

findings in the annual corporate governance report.

Complies

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less than 30% prior to that date.

Partially complies

The Company complies with the first part of the recommendation. On the other hand, and in relation to the number of female Directors, the Company maintains its commitment to diversity and equal opportunities, and has deliberately sought women who meet the required professional profile. This commitment has materialised in the increase in the number of female Directors, who went from representing 11.11% of the members of the Board of Directors in 2016 to currently representing 33.33%. All measures and processes adopted and agreed upon by the Board of Directors and the Nominating, Compensation and Corporate Governance Committee with the objective of facilitate the inclusion on the Board of Directors of a number of women that will allow a balanced presence of women and men to be achieved, and to prevent the selection procedures from suffering from implicit biases that hinder the appointment of female Directors, have been undertaken and carried out by the Company.

In order to continue making progress in this area, the Nominating, Compensation and Corporate Governance Committee evaluates profiles to fill new vacancies on the Board of Directors in accordance with the provisions of Telefónica's Director Selection Policy and Diversity Policy, favouring diversity of gender, experience and knowledge, without implicit biases that could imply any discrimination.

In conclusion, the process of renewing the Company's Board of Directors has been designed and is being implemented progressively to ensure continuity in the Telefónica Group's management model. In this sense, in the selection of new candidates to fill the coming vacancies, the Company will continue looking for women who meet the required professional profile in order to increase gender diversity at the Board of Directors.

16. That the number of proprietary directors as a percentage of the total number of nonexecutive director not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies

 That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in a concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies

- 18. That companies should publish the following information on its directors on their website, and keep it up to date:
 - a) Professional profile and biography.
 - b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
 - c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
 - d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
 - e) Company shares and share options that they own.

Complies

That the annual corporate governance report, after verification by the nomination



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

committee, should explain the reasons for the appointment of any proprietary directors at the proposal of the shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Not applicable

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Not applicable

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the board are the result of the proportionate representation criterion provided in Recommendation 16.

Complies

22. That companies should establish rules requiring that directors inform the Board of Directors and, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and

reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure may be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Not applicable

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term in office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant for investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Not applicable

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies

26. That the Board of Directors meet frequently enough so be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Not applicable

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfill their duties including, should circumstances warrant, external advice at the company's expense.

Complies

30. That, without regard to the knowledge necessary for directors to complete their

duties, companies make refresher courses available to them when circumstances make this advisable.

Complies

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

coordinate a succession plan for the chairman.

Complies

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies

- 36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:
 - a) The quality and efficiency of the Board of Directors' work.
 - b) The workings and composition of its committees.
 - c) Diversity in the composition and skills of the Board of Directors.
 - d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
 - e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies

37. That if there is an executive committee, there should be at least two non-executive

directors, at least one of whom should be independent, and its secretary should be the secretary of the Board.

Complies

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies

39. That all members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accounting, audit and risk management issues, both financial and nonfinancial.

Complies

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

- 42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:
 - 1. With regard to information systems and internal control:
 - a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, if applicable, to the group including operating, technological, legal, social, environmental, political and



2. Non-financial Information statement

3. Risks

4. Annual Corporate Governance Report

5. Annual Report on Remuneration of the Directors

6. Other information

Consolidated management report 2022

Telefónica

reputational risk, or risk related to corruption – reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation or annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of both the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.
- 2. With regard to the external auditor:
 - a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
 - b) Ensuring that the remuneration paid to the external auditor for it work does not compromise the quality of the work or the auditor's independence.
 - c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
 - d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and

the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business and, in general, all other rules regarding auditors' independence.

Complies

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies

- 45. That the risk management and control policy should identify or determine, as a minimum:
 - a) The various types of financial and nonfinancial risk (including operational, technological, financial, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
 - b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
 - c) The level of risk that the company considers to be acceptable.
 - d) Measures in place to mitigate the impact of the risks identified in the event that they should materialise.
 - e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information
- 46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:
 - a) Ensuring the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
 - b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
 - c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies

47. That in designating the members of the nomination and remuneration committee - or of the nomination committee and the remuneration committee if they are separate - care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies

48. That large-cap companies have separate nomination and remuneration committees.

Explain

Article 40 of the Bylaws and Article 23 of the Regulation of the Board of Directors expressly state on regulating the Nominating, Compensation and Corporate Governance Committees, that the Board of Directors shall be entitled to set up two Committees, separately giving each of them powers for appointments, and the other the powers for remuneration, while the corporate governance powers may be included in either one of them.

The Board of Directors of Telefónica, S.A. has not considered appropriate, so far, separating the functions of the Nominating, Compensation and Corporate Governance Committee because it believes that by putting the powers to assess Directors and determine their remuneration in the same Committee, is helpful to coordinate and to produce a results-driven remuneration system (pay for performance). The Board also considers that the workload of the Nominating,

Compensation and Corporate Governance Committee and, therefore, its members, is reasonable and does not make it advisable, for the time being, to divide it into two separate committees.

Furthermore, it is noted that the Board of Directors currently has five Consultative Committees (Audit and Control Committee, the Nominating, Compensation and Corporate Governance Committee, Regulation and Institutional Affairs Committee, Sustainability and Quality Committee and the Strategy and Innovation Committee), in addition to the Executive Commission.

In this context, the separation of the Nominating, Compensation and Corporate Governance Committee would not have been appropriate with the facilitating objective of the reorganization of the Consultative or Committees of the Company, approved by the Board of Directors on April 27, 2016, generating unnecessary inefficiencies and needs for additional allocations.

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

- 50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:
 - a) Proposing the basic conditions of employment for senior management to the Board of Directors.
 - b) Verifying compliance with company's remuneration policy.
 - c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
 - d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the board.
 - e) Verifying the information on remuneration of directors and senior managers contained in



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

the various corporate documents, including the annual report on director remuneration.

Complies

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies

- 52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:
 - a) That they be composed exclusively of nonexecutive directors, with a majority of independent directors.
 - b) That their chairpersons be independent directors.
 - c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
 - d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - e) That their meetings be recorded and the minutes be made available to all directors.

Explain

1. The supervision and control committees which are attributed the powers referred to in recommendation 52 are the Audit and Control Committee and the Nominating, Compensation and Corporate Governance Committee. The composition and operation rules of the two Committees are set out in the Regulation of the Board of Directors and in the specific Regulations of each one of them. Likewise, both Committees are not only consistent with legally dispositions applicable but are also an improvement upon them, in certain areas. For example, according to the Regulation of the Board of Directors, the Nominating, Compensation and Corporate Governance Committee must have a majority of independent members, as opposed to the minimum of

two according to prevailing laws. In fact, in practice, the Committee is composed of three independent Directors, and two with the category of "Other external".

2. The Board of Directors has other Consulting Committees which are allocated other functions (Regulation and Institutional Affairs Committee, Sustainability and Quality Committee, and Strategy and Innovation Committee), which are strongly linked with the businesses developed by the Company and with management aspects, and, in particular, the Sustainability and Quality Committee has some of the functions set out in Recommendations 53 and 54 below.

These Committees are expressly regulated in the Regulation of the Board of Directors, although with fewer details with respect to those that are legally mandatory. However, all these non-mandatory committees are, in practice, subject to the operating rules set out in Recommendation 52 c), d) and e).

It has been considered that Committees with powers in matters linked to the Company's businesses and management aspects do not necessarily have to be chaired by independent Directors but rather it is preferable to take into account the technical knowledge and specific expertise of their members when appointing the Director to chair them who should sit on these committees. It should also be noted that all Board Committees are composed of a majority of independent Directors.

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, in the exercise of its power of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

- **54.** The minimum functions referred to in the foregoing recommendation are the following:
 - a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, and ensuring that the corporate culture is aligned with its purpose and values.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

b) Monitoring the implementation of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

- d) Supervision of the company's environmental and social practices to ensure they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies

- 55. That environmental and social sustainability policies identify and include at least the following:
 - a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conducts.
 - b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
 - c) Mechanisms for supervising non-financial risk, including that related to ethical aspects and aspects of business conduct.
 - d) Channels of communication, participation and dialogue with stakeholders.
 - e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies

57. That only executive directors should receive remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period of time long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have been effectively met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the time of payment date that would make this advisable.

Complies

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies

62. That once share or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Partially complies

The Nominating, Compensation and Corporate Governance Committee is empowered to propose that the Board of Directors cancels a variable remuneration payment in the event of circumstances such as those described in this recommendation. The Nominating, Compensation and Corporate Governance Committee will also assess if exceptional circumstances of this kind may even entail the termination of the relationship with the person responsible, proposing measures which are deemed pertinent to the Board of Directors.

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Explain

With regards to the conditions applicable to termination of contracts, the Executive Chairman, Mr. José María Álvarez-Pallete López, and the Chief Operating Officer (C.O.O.), Mr. Ángel Vilá Boix, maintain the conditions of their previous contract which provided for agreed economic compensation for the termination of the employment relationship, where applicable, that can amount to four years' of remuneration at the most. Every annual payment includes the last fixed remuneration and the arithmetic average of the last two variable annual remuneration received according to contract.

Indicate whether any director voted against or abstained from approving this report.

No.



- Strategy and growth model
 Non-financial Information statement
 Risks

- 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 - 6. Other information

I declare that the details included in this statistical annex coincide and are consistent with the descriptions and details included in the annual corporate governance report published by the company.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

4.9. Further information of interest

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

--

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

- 3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.
- Note 1 to Section 4.2.2. of Annual Corporate Governance Report and Section A.2. of Annual Corporate Governance Report Statistical Annex

In accordance with the last submitted communication by BlackRock, Inc. to the Spanish National Securities Market Commission (CNMV) on March 31, 2020, the details of the control chain through this entity owns the voting right and/or the financial instruments is the following:

1.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International

- Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock (Singapore) Holdco Pte. Ltd., Blackrock HK Holdco Limited, BlackRock Lux Finco S.a.r.I., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd.
- 2.- BlackRock, Inc., Trident Merger, LLC, BlackRock Investment Management, LLC.
- 3.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock Investment Management (UK) Limited.
- 4.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited.
- 5.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock International Limited.
- 6.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association.
- 7.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Fund Advisors.
- 8.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc.
- 9.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited.
- 10.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock Investment Management (UK) Limited, BlackRock Asset Management Deutschland AG.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Dieke

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

11.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., Blackrock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited.

12.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC.

13.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock Advisors (UK) Limited.

14.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock (Singapore) Holdco Pte. Ltd, BlackRock (Singapore) Limited.

15.- BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings, L.P., BlackRock Holdco 3, LLC, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V.

- Note 2 to Section A.3 of Annual Corporate Governance Report Statistical Annex

In those cases where the total percentage of voting rights does not coincide with the sum of direct and indirect shareholdings, this is due to the rounding of decimals.

The total percentage of voting rights represented on the Board of Directors (8.74%) is the result of adding the total percentage of voting rights held by members of the Board of Directors (0.37%) and the total percentage of voting rights of the Company's significant shareholders represented on the Board of Directors: Banco Bilbao Vizcaya Argentaria, S.A. (4.87%), represented on the Board of Directors by the Proprietary Director Mr. José María Abril Pérez, and CaixaBank, S.A. (3.50%), represented on the Board of Directors by the Proprietary Director Mr. Isidro Fainé Casas.

- Note 3 to Section C.1.11 of Annual Corporate Governance Report Statistical Annex

Mr. Peter Löscher resigned as Chairman of the Board of Directors of Sulzer AG on April 6, 2022.

Mr. José María Abril resigned as member of the Board of Directors of Ibermática, S.A. in December 2022.

Ms. Verónica Pascual Boé resigned as Global Manager of Robótica Móvil Autónoma in January 2023.

In addition, other positions held by the Company's Directors (other than those requested in section C.1.11) are listed below:

Mr. José María Álvarez-Pallete López is a member of the Advisory Board of SEAT, S.A., Chairman of the GSMA Association (since February 2022), Chairman of Telefónica Foundation (since February 2022), Trustee of Profuturo Foundation and member of Board of Trustees of "la Caixa" Banking Foundation (since February 2022).

Mr. Isidro Fainé Casas is Honorary Chairman of Naturgy Energy Group, S.A., Special Advisor to the Board of the Bank of East Asia Limited, member of the Board of Trustees of the Museo Nacional del Prado and member of the Board of Trustees of the Carlos Slim Foundation.

Mr. José Javier Echenique Landiríbar is a Trustee of the Novia Salcedo Foundation and Advisor of the Deusto Business School.

Mr. Ángel Vilá Boix is a Trustee of Telefónica Foundation and Member of the Advisory Boards of Telefónica España and Telefónica Tech.

Mr. Juan Ignacio Cirac Sasturain is Co-Director of the Centre for Quantum Sciences and Technologies Munich, Director of the International Max-Planck School of Quantum Sciences and Technologies, and Universal Honorary Professor of Technology Munich.

Mr. Peter Erskine is Chairman of the BRAINSTORM Charity.

Ms. Carmen García de Andrés is President of the Tomillo Foundation, Member of the Board of Directors of the Spanish Association of Foundations (AEF), currently serving as its Treasury and member of the executive committee, Treasury member of the Board of Trustees of the Fundación Secretariado Gitano, of the Fundacion Somos F5, Member of the Board of Trustees of the Xavier de Salas Foundation, and Co-Founder and Member of the Board of Trustees of the Fundación Aprendiendo a Ser. Likewise, collaborate mentoring women's professional development programs.

Mr. Peter Löscher is Emeritus Member of the Advisory Council of the Singapore Economic Development Board, Member of the International Advisory Board of Bocconi University and Honorary Professor at Tongji University (Shanghai).

Mr. Francisco José Riberas Mera is Chairman of Sernauto (Association of Automotive Suppliers), and Chairman of the Spain-China Advisory Council Foundation.

- Note 4 to Section C.1.12 of Annual Corporate Governance Report Statistical Annex

In accordance with the provisions of Article 29.2 of the Regulations of the Board of Directors, the Directors must dedicate the necessary time and effort to the performance of their duties, and for this purpose they must inform the Nominating, Compensation and



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

Corporate Governance Committee of their other professional obligations in case they might interfere with the performance of their duties as Directors.

In this regard, those who belong to more than five Boards of Directors of other companies other than Telefónica, S.A. and the companies of its Group may not be appointed as Directors of the Company.

For these purposes, a) all the Boards of Directors of companies that form part of the same Group shall be computed as a single Board; and b) those Boards of proprietary companies or companies that constitute vehicles or complements for the professional practice of the Director, his/her spouse or a person with an analogous relationship of affection, or his/her closest relatives, shall not be computed.

Exceptionally, and for duly justified reasons, the Board of Directors may exempt the Director from this prohibition.

- Note 5 to Section C.1.14 of Annual Corporate Governance Report Statistical Annex

The total remuneration of Senior Management includes the amount corresponding to the gross shares that the Senior Executives of the Company are entitled to receive at the end of the Third Cycle (2020–2023) of the Performance Share Plan.

- Note 6 to Section C.1.21 of Annual Corporate Governance Report Statistical Annex

In accordance with the provisions of Article 31.4 of the Company's Bylaws, in order for a Director to be appointed Chairman, he must have been a member of the Board of Directors for at least three years prior to his appointment. However, the aforementioned seniority shall not be necessary when the appointment is carried out with the favorable vote of at least 85% of the members of the Board of Directors.

- Note 7 to Section D.2 of Annual Corporate Governance Report Statistical Annex

BBVA and/or Group BBVA: Banco Bilbao Vizcaya Argentaria, S.A. and/or the companies that form part of its group.

CaixaBank and/or Group CaixaBank: CaixaBank, S.A. and/or the companies that form part of its group.

N/A is indicated in those cases in which no proposal has been made to the Shareholders' Meeting as the transaction has been approved by the Board of Directors.

Regarding operations of derivatives, the notional value and fair value of the operations carried out with BBVA and/or BBVA Group, and CaixaBank and/or CaixaBank Group are listed. See supplementary information in the 'Derivatives policy' section of Note 19 (Derivative financial instruments and risk management policy), and in Note 11 (Related parties) to the 2022 Consolidated Financial Statements of Telefónica, S.A.

- Note 8 to Section D.3 of Annual Corporate Governance Report Statistical Annex

There are no transactions that meet the requirements set forth in this Section.

- Note 9 to Section D.4 of Annual Corporate Governance Report Statistical Annex

There are no transactions that meet the requirements set forth in this Section.

- Note 10 to Section D.5 of Annual Corporate Governance Report Statistical Annex

There are no transactions that meet the requirements set forth in this Section carried out by Telefónica, S.A. or its subsidiaries with Grupo Telefónica Factoring and with Adquira España, S.A. However, this information is included in Note 10 (Associates and joint ventures) and in Note 11 (Related parties) of the Consolidated Annual Accounts of Telefónica, S.A. corresponding to fiscal year 2022.

Note 11 to Section G of Annual Corporate Governance Report Statistical Annex

It is noted that Recommendations 2, 10, 11, 19, 20, 23, 24 and 28 have been indicated as not applicable as the situation referred to in these Recommendations has not been verified during the 2022 financial year.

 Note 12: Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Financing agreements:

On March 15, 2018, Telefónica, S.A., as borrower, and a group of credit entities, as lenders, with National Westminster Bank plc as the agent bank, entered into a syndicated loan amounting up to EUR 5,500 million.

On January 13, 2022, Telefónica, S.A. executed an amendment to the referred syndicated facility agreement with several domestic and international financial entities for a maximum aggregate amount of five thousand and five hundred (5,500) million euros, linked to sustainability objectives: greenhouse gas emissions reduction and increase of women in executive positions.

Likewise, on December 11, 2015, Telefónica, S.A., as borrower, and Banco Bilbao Vizcaya Argentaria, S.A. Niederlassung Deutschland, the Bank of Tokyo-Mitsubishi UFJ, Ltd., sucursal in Spain, Mizuho Bank Ltd, AB Svensk Exportkredit and Société Générale S.A., as original lenders, and with the support of Exportkreditnämnden, signed a financing agreement amounting up to USD 750 million. Also on that same date, Telefónica, S.A., as borrower, and Banco Santander, S.A. and Crédit Agricole Corporate and Investment Bank as original lenders, with the support of Finnvera Plc, entered into a financing agreement amounting up to EUR 500 million.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks

4. Annual Corporate Governance Report

- 5. Annual Report on Remuneration of the Directors
- 6. Other information

As provided for in all of the aforementioned contracts, in the event of a change of control in Telefónica, S.A., lenders may, under certain circumstances, require the early termination of these financing agreements.

The financing contracts consider the usual criteria in these types of agreement to determine if there has effectively been a change of control, such as obtain a majority of the voting rights, have the power to appoint a majority of the members of the management body, or have control over the financial and operating policies of the company.

Finally, it should be said that as of the year 2010, Telefónica, S.A. adheres to the Code of Good Fiscal Practices, as approved by the Large Companies' Forum -a body in which major Spanish companies and the Spanish tax authorities participate-, and complies with the content of the same.

Similarly, Telefónica Group is committed to the application of other international regulations and initiatives in the area of sustainability as well as, among others, the Universal Declaration of Human Rights, the United Nations Global Compact, and other conventions and treaties agreed by international bodies such as the Organization for Economic Cooperation and Development and the International Labor Organization.

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on February 22, 2023.

Indicate whether any Directors voted against or abstained from voting on the approval of this report.

No.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
 - 6. Other information

5 Annual Report on Remuneration of the Directors

- 5.1. Annual Report on Remunerationation
- 5.2. IAR Statistical Annex







- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

5.1. Annual Report on Remuneration

Introduction to the report

This section 5.1 and the section 5.2 below form the Annual Report, which must be drawn up and submitted to a vote of the General Shareholders' Meeting in an advisory manner. Pursuant to the provisions in Act 5 of April 12, 2021, amending the redrafted text of the Corporate Enterprises Act, this report forms part of the Company's Management Report and is also published as part of the Annual Corporate Governance Report. This will remain accessible on the websites of the Company and the Spanish National Securities Market Commission (CNMV) for the legally stipulated term.

This report is essentially composed of two sections:

- First, a summary of the remuneration policies that may be applicable in 2023:
 - From January 1 until the approval by the Company's General Shareholders' Meeting of the new Policy, the directors' remuneration policy approved at the Company's General Shareholders' Meeting held on April 23, 2021, with 88.97% of the votes cast (this policy can be accessed at the following link: https:// www.telefonica.com/es/wp-content/uploads/ sites/4/2021/10/politica-remuneraciones-consejerostelefonica.pdf).
 - Until the approval by the Company's General Shareholders' Meeting of the new Policy to December 31, the directors' remuneration policy, if any, approved by the Ordinary General Shareholders' Meeting to be held in 2023. As will be explained below, this new Remuneration Policy is in keeping with the one approved on April 23, 2021.
- Secondly, it provides a description of how the Directors' Remuneration Policy has been applied throughout 2022.

Outlined below is the background against which certain decisions related to the Remuneration Policy and its application have been made and considered by the NCCGC and the Board of Directors.

Telefónica's results in 2022

In spite of the complex macroeconomic backdrop, Telefónica has once again delivered sustainable growth in 2022, evidencing its expertise in managing the business in this environment.

Telefónica has gained strength in its key markets. In Spain, OIBDA improved steadily thanks to greater efficiencies. In Brazil, the outstanding strength of Vivo's operations drove year-on-year organic OIBDA margin growth while revenues grew at double-digit rates. Germany again showed strong commercial momentum, with revenues and OIBDA accelerating. Meanwhile, VMO2 has already achieved 30% of the annual synergies projected at £540M by the end of 2022. T. Infra continues to explore opportunities for growth and value creation with its new fiber vehicles, with the inclusion of Spain and the United Kingdom in July. T. Tech is growing at scale over and above market levels and has a strong commercial funnel.

Based on the above, Telefónica has confirmed objective performance and the dividend set for 2022.

It should be recalled that the Company published its 2022 objectives on February 24, the same day that the invasion of Ukraine began. Since then, the macroeconomic environment has worsened considerably, but despite this, Telefónica revised its objectives upwards in July, and has managed to finish the year on track to meet the aforementioned growth forecast. This is further evidence of the additional management effort:

- The reported growth in Group revenue accelerated significantly to +4.7% year-on-year.
- OIBDA grew +3.0% year-on-year in organic terms thanks to revenue growth, efficiencies and synergy realisations, and effectively managing inflationary pressures.
- Capital was allocated efficiently, prioritising investments in growth. CapEx grew +4.6% organic year-on-year, bringing the organic CapEx/Sales ratio to 14.8% (in line with the target of 15%).
- Free Cash Flow has increased to €4,566M.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

 The leverage ratio improved compared to the previous year, and Net Financial Debt stood at €26,687M.

As part of Telefónica's commitment to create value for its stakeholders, the following milestones were achieved in 2022:

- Reduction of CO₂ emissions by 80% compared to 2015 globally.
- Publication of the in-depth Life Cycle Analysis of connectivity solutions according to the EU Taxonomy criteria (first company in the sector to do this).
- Approval by the Board of Directors of the Group's Equality Policy, which addresses wage gaps, equal opportunities and greater parity.
- 31.3% female executives at December 31, 2022.

In addition, in the macroeconomic context and high uncertainty, the 2022 Total Shareholder Return ("TSR") was -5.27% while the median TSR of the companies that make up the comparison group for measuring this objective in Long-Term Variable Compensation was -23.7%. Accordingly, Telefónica is in fifth position compared to the 14 companies which comprise the said group.

New Remuneration Policy to be proposed at the General Shareholders' Meeting

Following the General Shareholders' Meeting held each year, the NCCGC carries out a process of reflection on the adequacy of the Remuneration Policy to Telefónica's strategic objectives and the interests of its stakeholders.

As part of its commitment to ongoing listening to its shareholders, the NCCGC maintains a constant and transparent dialogue with shareholders to learn, inter alia, their opinion on the remuneration policy and to test any changes that may be appropriate. The NCCGC also takes advantage of this interaction to provide shareholders with more context on the decisions taken by the Board of Directors over the past fiscal year.

The reflection process also took into account the results of the votes on the annual report on directors' remuneration in the last two fiscal years and those relating to the directors' remuneration policy approved on April 23, 2021.

Based on the findings of the reflection process, the NCCGC has proposed to the Board of Directors a new Remuneration Policy with the following features:

- The proposed new policy continues along the lines of the policy approved at the General Shareholders' Meeting held on April 23, 2021.
- · In relation to the Executive Directors:
 - The possibility of granting extraordinary remuneration is removed.
 - Both the amounts and the characteristics of the fixed and variable elements of remuneration remain

- unchanged. In this respect, the Fixed Remuneration remains unchanged since 2013.
- Notwithstanding the above, the maximum amount of Short-Term Variable Remuneration 2023 is limited to 125% of target. This maximum level is lower than the one included in the Remuneration Policy and the one set in 2022 (129.5% of the target).
- The period in which it is possible to recover all or part of any of the Executive Directors' variable remuneration components after they have been paid (clawback), is extended by twelve (12) additional months, up to thirty-six (36) months.
- There is no change with respect to the remuneration of the Directors in their position as such.

This new Remuneration Policy will be brought to a vote at the Ordinary General Shareholders' Meeting to be held in 2023 and if approved, will come into effect on the same day.

Remuneration accrued in 2022 by the Executive Directors

The most relevant aspects of the remuneration accrued in 2022 by the Executive Directors are detailed below:

- Total remuneration accrued in 2022 vs. 2021: decrease of 22.2% for the Executive Chairman and 24.5% for the Chief Operating Officer.
- Total variable remuneration accrued vs. variable remuneration initially granted: 63.6% for the Executive Chairman and 61.5% for the Chief Operating Officer.
- Short-Term Variable Remuneration: The relative metrics and weights determined for 2022 were Operative Revenue (30%), OIBDA (30%), Free Cash Flow (20%) and non-financial objectives ESG (20%).

Bearing in mind the foregoing, the weighted payment coefficient has risen to 121.3% of the maximum amount. This percentage is mainly explained by the fact that the degree of performance of the financial objectives as a whole was above 100%. In addition, the degree of performance of the non-financial - ESG objectives as a whole has also exceeded the target levels.

• Long-Term Variable Remuneration: The performance period for the third cycle (2020-2023) of the 2018-2023 Long Term Incentive Plan ended on December 31, 2022. 50% of the incentive was subject to the relative TSR and 50% to the Free Cash Flow generated in each of the years in the performance period. No amount whatsoever was accrued regarding the relative TSR due to the behavior of Telefónica's shares related to the comparison group, notwithstanding the improved performance of the stock. However, the Free Cash Flow target has been achieved. The incentive shall be paid during March 2023.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Taking into account the Telefónica's share price as at December 31, 2022, the economic value of the incentive to be received in shares by the Executive Directors is of 25.35% of the incentive originally awarded.

5.1.1. Principles of the GRI 2-19

The sections below set out information on the applicable guidelines for the Directors' remuneration, along with a breakdown of the remuneration for the 2022 fiscal year and forecasts for the 2023 fiscal year.

5.1.1. Principles of the Remuneration Policy GRI 2-19

The main focus of Telefónica's remunerative strategy is to attract, retain and motivate professionals of the Company, enabling it to achieve its strategic targets within the highly competitive and globalised setting in which it performs its business, by applying the most appropriate measures and practices for such purpose.

Based on the foregoing, the principles of the Remuneration Policy are the following:

		Executive Directors	Non- Executive Directors
Value creation	The Policy is consistent with Telefónica's commitment to growth, efficiency and long-term sustainable value creation for its stakeholders.	•	
Pay for Performance	A significant part of the total remuneration for the Executive Directors is variable and receiving it is subject to achieving financial, business, value creation and non-financial objectives, including ESG objectives. These objectives are predetermined, specific, quantifiable and aligned with the Company's corporate plan.	•	
Flexibility	The variable remuneration is not guaranteed and is sufficiently flexible so that there is a possibility of not paying this component.	•	
Competitiveness	In order to ensure the Company has the best professionals on board, the remuneration package must be competitive, both in its structure and its overall amount, with respect to other comparable companies at an international level.	•	•
Good Governance	When determining the remuneration for the Directors, the Company takes into consideration the developments taking place in regulations, best practices and national and international recommendations and trends related to the remuneration of Directors of companies listed on the stock market.	•	•
Fair Pay	Fair remuneration is provided for professional value, skills, experience, responsibility undertaken and results achieved. The Remuneration Policy for the Executive Directors is aligned with the policy for the other employees and shares the same principles and criteria for action and incorporating the components included in the remuneration package for Telefónica's management group. The Policy is consistent with Telefónica's inclusive culture, which includes a commitment to diversity and inclusion management as a key element in connecting talent and growth as a company.	•	٠
Suitability	The amounts are sufficient to remunerate the qualifications, time spent and responsibility of the Directors, guaranteeing their required loyalty and allegiance to the Company, without compromising the independence of the Non-Executive Directors.		•
Transparency	The level of transparency in relation to remuneration is in line with the best corporate governance practices in order to create trust among all the stakeholders, including shareholders and investors.	•	•

The principles set out in this section are applicable both to the Remuneration Policy approved at the General Shareholders' Meeting held on April 23, 2021 and to the Remuneration Policy to be submitted to the General Shareholders' Meeting to be held in 2023.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

5.1.2. Our remuneration practices

GRI 2-19

Executive Directors

- Linking the payment of the remuneration to the Company's results ("pay for performance").
- The weighting of the financial metrics to which the Variable Remuneration is linked represents at least 80%.
- The remuneration is in line with the interests of our stakeholders, such that variable remuneration is linked to both financial and shareholder return objectives as well as non-financial objectives, including ESG (Environmental, Social and Governance) objectives.
- Long-Term Incentive Plans:
 - A minimum performance period of three years for measurement of the objectives.
 - · Mainly in shares.
 - Linked to metrics aligned with Telefónica's long-term strategic objectives.
 - · Inclusion of ESG linked objectives.
 - Holding 100% of the awarded shares for a term of 24 months. This term is extended to 3 years extension as long as the number of shares subject to the permanent holding commitment has not been reached..
- Specific and uniform malus and clawback clauses, which are applied to any variable remuneration component.
- Commitment to permanently hold shares for a value equivalent to twice the fixed remuneration.
- Consideration of the quality of the results in the longterm and any associated risk in the evaluation process of variable remuneration.
- Recurrent external advice for the purpose of considering market practices as an additional factor to be taken into account in the process of adopting decisions on the Policy's design.
- No variable remuneration is guaranteed and the
 possibility of awarding extraordinary remuneration is not
 included. The Policy is consistent with Telefónica's
 commitment to diversity and inclusion management as a
 key element in connecting talent and growth as a
 company. Accordingly, Telefónica's staff is remunerated
 on the basis of their professional value, skills, experience,
 responsibility undertaken and results achieved.

Non-Executive Directors

- Remuneration is determined in accordance with the responsibilities and duties undertaken by each Director but without compromising its independence.
- The Non-Executive Directors are not included in the remuneration formulae or systems linked to the individual or Company's performance.
- The Non-Executive Directors are not paid in shares, options, stock options or remuneration rights tied to the value thereof.
- The Non-Executive Directors do not participate in any long-term savings systems, such as retirement plans, pension plans and any other welfare systems.

5.1.3. The Remuneration Policy of Telefónica applicable in 2023

As specified in the introduction to the report, the NCCGC regularly conducts a reflection process on the applicable Remuneration Policy, in which it considers both internal and external factors:

Internal factors

- · Short- and long-term objectives.
- The results obtained by the Group.
- The link to the corporate plan and sustainability.
- The alignment with the general remuneration policy for the Company's employees.

External factors

- The recommendations received in the engagement process that Telefónica regularly conducts with investors, shareholders and proxy advisors.
- Market practices of relevant companies for Telefónica due to being competitors for business or talent and companies considered high performers,
- General corporate governance regulations and recommendations at a national and international level.

Of particular significance were the comments, recommendations and suggestions received from shareholders regarding the Remuneration Policy. The NCCGC also took into account the results of the votes on the annual report on directors' remuneration in the last two fiscal years and those relating to the directors' remuneration policy approved on April 23, 2021.

Bearing in mind all of the above, the NCCGC has proposed a new Remuneration Policy to the Board of Directors, which is in keeping with the previous policy. As regards the Executive Directors, both the amounts and features of the fixed and variable components of remuneration remain



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

unchanged. In addition, the new Remuneration Policy removes the possibility of awarding extraordinary remuneration and extends up to thirty six (36) months the period in which it is possible to recover all or part of any of the Executive Directors' variable remuneration components after they have been paid (clawback).

No change was made to the Directors' remuneration in their positions as such.

This new Remuneration Policy will be brought to a vote at the General Shareholders' Meeting to be held in 2023 and, if approved, will come into effect on the same day. Until that date, the Remuneration Policy approved by the Ordinary General Shareholders' Meeting held on April 23, 2021 will be in effect.

5.1.4. The Executive Directors' remuneration in 2023

- The possibility of granting extraordinary remuneration is removed.
- Both the amounts and characteristics of the fixed and variable elements of remuneration remain unchanged or have been reduced.
- Performance-related remuneration is significant in relation to total remuneration (79% for the Executive Chairman and 77% for the Chief Operating Officer, in a target scenario).
- The Fixed Remuneration of the Executive Chairman remains the same since 2013. In the case of the Chief Operating Officer, amounts remain unchanged since his appointment in 2017.
- The maximum amount of the Short-Term Variable Remuneration has been reduced to 125% of the target amount (in 2022 the maximum was up to 129.5%). The same targets and weightings set in 2022 are maintained.
- The third cycle of the Long-Term Incentive Plan 2021-2026 is granted, which is linked to the same targets set in the two previous cycles (relative TSR, Free Cash Flow and neutralization of CO₂ emissions). As in previous years, the value of the maximum shares allocated in each of the Plan's cycles is lower than the maximum limit set in the Remuneration Policy.

As specified above, on the date of this Report, the Executive Directors of Telefónica, S.A. are Mr. José María Álvarez-Pallete López, Executive Chairman, and Mr. Ángel Vilá Boix, Chief Operating Officer/COO.

Pay for performance and pay mix

The remunerative system for Telefónica's Executive Directors is characterized by its competitiveness and high demands. The variable remuneration, which is designed to incentivize achievement of the company's short- and long-term objectives, is one of the fundamental pillars of this system.

In this respect, Telefónica's long-term strategy is based on the following three basic pillars, which are linked to the variable remuneration of Telefónica's whole human team:

- Growth, in the form of Operative Revenue and Total Shareholders Return;
- Efficiency, through improving the OIBDA, generating Free Cash Flow and efficient consumption of natural resources or the circular economy;
- iii. Trust. Telefónica is a company that is fully committed to sustainability. For such purpose, factors such as customer trust, society trust, gender equality or the contribution to the reduction of climate change are weighted.

Therefore, receiving the Short-Term and Long-Term Variable Remuneration is linked to achieving certain financial and business operational as well as sustainability (ESG) objectives.

All the objectives are predetermined, specific, quantifiable and aligned with Telefónica's strategic goals, strictly determined and assessed by the NCCGC, which monitors them, so that their alignment with Telefónica's social interests is ensured.

The Executive Directors' pay package is leveraged mainly on variable remuneration, with most of the total remuneration being received only if the objectives set out for the short- and long-term variable remuneration are met. This pay structure is consistent with the "pay for performance" principle

The Executive Directors therefore may not receive any variable remuneration in the event that the minimum performance thresholds are not met. The short-term and long-term variable remuneration percentage is significant in relation to the total remuneration. In any case, such percentage of their total remuneration (considering, for such purpose, the sum of the Fixed Remuneration, Short-Term Variable Remuneration and the annualized long-term incentive) can reach a maximum of 85%.

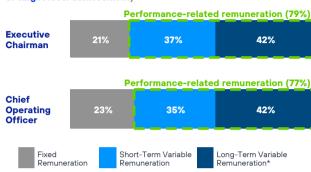


- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The pay mix for Telefónica's Executive Directors is shown below, assuming a situation in which the stipulated targets are achieved:

Executive Directors remuneration structure for 2023

At Telefónica, results-based remuneration has a significant weighting in total remuneration (remuneration structure for 100% or target level achievement)*



*The remuneration mix is shown in accordance with a Long-Term Variable Remuneration allocation equivalent to 200% of the Fixed Remuneration for the Executive Chairman and 180% for the Chief Operating Officer. To this end, Fixed Remuneration does not include remuneration in kind, contributions to pension plans for Telefónica employees or contributions to the Executive Pension Plan.

	Type of objective	Metric	Weighting
	Operating and financial	Operating Revenue	30%
	objectives OIBDA		30%
	(80%)	Free Cash Flow	20%
		NPS	5%
Short Term Variable		NPS GAP	4%
Remuneration	Sustainability	Climate Change - GHG Emissions	5%
	objectives - ESG (20%)	Gender Equality - % of women in executive positions	3%
		Society Trust - REP Trak	3%
Lang Tarra	Value creation for shareholders and financial objectives	Relative TSR*	50%
Long Term Variable	(90%)	Free Cash Flow	40%
Remuneration	Sustainability objectives - ESG (10%)	Neutralization of CO ₂ Emissions	10%

^{*}The comparison group consists of companies belonging to the telecommunications sector, weighted according to their relevance for Telefónica.

Components of the remuneration package in 2023:

The elements included in the remuneration package for executive directors for the performance of their executive duties are similar to those of the 2022 fiscal year, however, without the possibility of awarding any extraordinary variable remuneration:

A. FIXED REMUNERATION

Purpose:

Suitable compensation for performing their executive duties according to the level of responsibility, leadership and performance within the organization, promoting the retention of key staff and attracting top talent and creating sufficient economic independence to balance the significance of other remunerative items.

Amount:

No increases in the Executive Directors' fixed remuneration are expected during 2023.

Executive Chairman: €1,923,100.

This remuneration is the same as the amount paid since 2013 and it was determined for his position as Chief Operating Officer and remained the same after his appointment as Chairman in 2016.

Chief Operating Officer: €1,600,000.

This remuneration is the same as the amount paid when Mr. Vilá was appointed as a Chief Operating Officer of the company on 26 July 2017.

Functioning:

The annual gross fixed remuneration is paid on a monthly basis in cash. This remuneration is set by the Board of Directors at the proposal of the NCCGC and may be adjusted every year depending on the criteria approved from time to time by the NCCGC. The maximum annualized increase during the term of the Policy may not exceed 10% of the gross annual salary. In certain situations, such as a change in the size and complexity of the business, a change in responsibility, development in the position and/or special retention and motivation needs, the NCCGC may decide to apply higher increases. The underlying reasons will be explained in the relevant Annual Report on the Directors' Remuneration.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

B. SHORT-TERM VARIABLE REMUNERATION

Purpose:

To reward the performance of a combination of financial, operational, business and non-financial objectives, including ESG objectives, that are predetermined, specific, measurable and aligned with Telefónica's strategic objectives.

Amount:

Target Amount (this is reached when 100% of the predetermined targets have been achieved):

- i. The Executive Chairman: 180% of the Fixed Remuneration
- The Chief Operating Officer: 150% of the Fixed Remuneration.

These amounts remain the same since 2018

Maximum Amount (this is reached when the predetermined targets are achieved at the maximum level):

- The Executive Chairman: 225% of the Fixed Remuneration (125% of the Target Amount).
- ii. The Chief Operating Officer: 187.5% of the Fixed Remuneration (125% of the target).

These amounts have been reduced compared to 2022 and compared to those set out in the Remuneration Policy.

Metrics:

For the fiscal year 2023, the NCCGC has reviewed the objectives, metrics and performance scales to be applied in order to ensure fulfillment of the Telefónica Group's corporate Plan. As a result, the Board of Directors has selected the quantifiable and measurable metrics that best reflect the Telefónica Group's value creation levers, according to a proposal made by the NCCGC:

- 80% of the objectives are operational and financial:
 - 30% of the objectives are linked to the Operating Revenue, which enables the Telefónica Group's growth to be measured.
 - 30% of the objectives are linked to the OIBDA, which reflects both the Group's growth and development in operational execution.
 - 20% of the objectives is linked to the Free Cash Flow, which is key to meeting the Company's financial commitments.
- The remaining 20% is linked to sustainability (ESG) objectives, aligned with the company's Corporate Plan:

- 9% of the objectives are linked to Customer Trust, not only related to Telefónica but also in relative terms compared with our competitors:
- NPS (5%).
- NPS GAP (4%).
- 11% of the objectives are linked to other sustainability (ESG) targets:
- · Climate Change (GHG Emissions 5%).
- Gender Equality % of Women in executive positions (3%).
- Society's Trust (REP Trak 3%).

Functioning:

The aforementioned objectives are approved by the Board of Directors at the beginning of each fiscal year, according to a proposal made by the NCCGC. The maximum level of the Short-Term Variable Remuneration in 2023 is set at 125% of target in the case of the maximum achievement of the pre-determined targets. This maximum level is lower than that set out in the Remuneration Policy (129.5% of target).

For the purpose of calculating the payment coefficient obtained for each level of objective performance, a performance scale is determined for each metric, which includes a minimum threshold below which no incentive is paid. In the case of 100% objective performance, the target Short-Term Variable Remuneration will be paid and, in case of maximum objective performance the maximum Short-Term Variable Remuneration will be received.

Information in greater detail is provided below about the scales for achieving each of the targets and how the stipulated maximum is achieved:

Metrics	Weighting (%)	Payments levels (% of target)			% of maximum weighted
		Min.	Target	Max.	payment
Financial Objective	s (80%)				
Operating Revenue	30%	50%	100%	125%	37.50%
OIBDA	30%	50%	100%	140%	42.00%
Free Cash Flow	20%	50%	100%	125%	25.00%
ESG Objectives (20)%)				
NPS	5%	50%	100%	125%	6.25%
NPS GAP	4%	50%	100%	125%	5.00%
Climate Change - GHG Emissions	5%	50%	100%	125%	6.25%
Gender Equality - % of women in executive positions	3%	50%	100%	125%	3.75%
Society's Trust - REP Trak	3%	50%	100%	125%	3.75%
	100%				129.50%



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

In order to calculate the amount of the Short-Term Variable Remuneration, the NCCGC firstly considers the level of performance and weighting of each target on an individual basis and then the overall level of achievement of the objectives as a whole. For such purpose, it applies the internal objective assessment rules and procedures set out by the Company for its executives. When conducting this assessment, the NCCGC is supported by the Audit and Supervisory Committee, which provides information about the results audited by the company's external auditor (PRICEWATERHOUSECOOPERS AUDITORES, S.L.) and by the internal audit. The Committee also considers any associated risk for both setting the targets and assessing their performance thereof.

In this respect, any positive or negative economic effects caused by extraordinary events that could distort the findings of the assessment are disregarded and the longterm quality of the results and any associated risk are considered in the proposed Short-Term Variable Remuneration.

The Short-Term Variable Remuneration is fully paid in cash providing the targets set for this purpose have been achieved. This remuneration will not be paid until the NCCGC and the Audit and Supervisory Committee have carried out the actions described above in the first quarter of the following year.

Moreover, the NCCGC is authorized make a proposal to the Board of Directors to fully or partially cancel payment of the short-term variable remuneration if certain unforeseen circumstances arise, as described in this Report, as well as its partial or full clawback within twentyfour (24) months after the payment thereof.

C. LONG-TERM VARIABLE REMUNERATION

Purpose:

To increase the Executive Directors' and management team's commitment to the company and its corporate plan, linking their remuneration to creating value for the shareholders and sustainable strategic objective performance, so that they are in line with the best remuneration practices. In turn, by means of its Long-Term Incentive Plan, the company also aims at offering a competitive remuneration package that contributes to retaining the managers who hold key positions in the organization.

Description:

A new Long-Term Incentive Plan 2021-2026 was approved by the General Shareholders' Meeting held in 2021, consisting of payment with Telefónica, S.A.'s shares. The Executives of the Telefónica Group, including the Executive Directors of Telefónica, S.A., who meet the requirements stipulated for such purpose from time to time, are invited to take part in such Plan.

The total term of the Plan is five (5) years divided into three (3) cycles, which are independent from each other, of three (3) years each (in other words, by delivering the

shares corresponding to each cycle once three years have elapsed counted from the start of each cycle).

1. The first cycle 2021-2024: The target measurement period began on January 1, 2021 and will end on 31 December 2023. If the objectives are achieved, the shares will be settled in 2024, once the annual accounts for the fiscal year 2023 have been drawn up and audited.

The number of shares granted represented, at their grant value, 200% of the Fixed Remuneration for the Executive Chairman and 180% of the Fixed Remuneration for the Chief Operating Officer.

2. The second cycle 2022-2025: The performance period began on January 1, 2022 and will end on December 31, 2024. If the objectives are achieved, the shares will be settled in 2025, once the annual accounts for the fiscal year 2024 have been drawn up and audited.

The number of shares granted represented, at their assignment value, 200% of the Fixed Remuneration for the Executive Chairman and 180% of the Fixed Remuneration for the Chief Operating Officer.

3. The third and last cycle 2023-2026: The performance period will begin on January 1, 2023 and will end on December 31, 2025. If the objectives are achieved, the shares will be settled in 2026, once the annual accounts for the year 2025 have been drawn up and audited.

The number of shares granted represented, at their assignment value, 200% of the Fixed Remuneration for the Executive Chairman and 180% of the Fixed Remuneration for the Chief Operating Officer.

Metrics of the Long-Term Incentive Plan 2021-2026:

The metrics determined for the Third Cycle of the Long-Term Incentive Plan 2021-2026 are the Relative TSR (50%), Free Cash Flow (40%) and Neutralization of CO₂ Emissions (10%).

Metrics	Weighting (%)	Company results	Incentive to be accrued (%)
		75th percentile or above	100%
Relative TSR ¹	50%	Median	30%
		Below median	0%
	40%	100% achievement	100%
Free Cash Flow		90% achievement	
		Lower than 90% achievement	0%
Neutralization	10%	100% achievement	100%
of CO ₂ emissions:		90% achievement	50%
scopes 1+2 in 2025 ²		Lower than 90% achievement	0%

¹Comparison group: Vodafone Group, America Movil, Deutsche Telekom, BT Group, Orange, Telecom Italia, Telenor, TeliaSonera, Swisscom, Koninklijke, KPN, TIM Brasil, Proximus, Millicom, Liberty Global.

In addition, in order for the incentive to be paid, a minimum level of emission

reductions must be achieved.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Each of these metrics is explained below:

Relative TSR (50%)

Definition: Share profitability taking into account the sum of the cumulative variation of Telefónica's share value, plus the dividends and other similar items received by shareholders during the cycle in question.

Determining the level of achievement: The evolution of TSR from Telefónica's shares is measured from the beginning of the cycle (2023) until the end of such cycle (2025), in relation to the TSR from other companies pertaining to the telecommunication sector, weighted depending on their relevance to Telefónica S.A. that, for the purpose of the Plan, will be used as the comparison group. The companies included in the comparison group are the following: Vodafone Group, America Movil, Deutsche Telekom, BT Group, Orange, Telecom Italia, Telenor, TeliaSonera, Swisscom, Koninklijke KPN, TIM Brasil, Proximus, Millicom y Liberty Global.

Performance Scale: The number of shares to be delivered associated with the performance of this objective will be between 15% of the number of theoretical shares granted, in the case the evolution of the TSR of Telefónica S.A.'s shares is, at least, the median of the Comparison Group (below this threshold no incentive will be payable) and 50% if the evolution is in the third or higher quartile of the comparison group. The percentage by linear interpolation is calculated for those that are between the median and the third quartile.

Free Cash Flow (40%)

Definition: Free cash flow generation (FCF).

Determining the level of achievement: The level of FCF generated by the Telefónica Group is measured during each year, in comparison with the value set in the budgets approved by the Board of Directors for each year, considering the final level of FCF performance, the average of the annual partial results obtained and approved by the NCCGC.

Performance Scale: For each cycle, the Board of Directors, according to a proposal made by the NCCGC, determines a performance scale that includes a minimum threshold of 90% performance, below which no incentive is paid and the performance of which implies 20% of the theoretical shares granted being delivered, and a maximum level of 100% performance, which implies 40% of the theoretical shares granted being delivered.

Neutralization of CO₂ Emissions (10%)

Definition: Level of neutralization of the Telefónica Group's CO2 emissions level by December 31, 2025, with the additional requirement for this part of the incentive to be paid being to achieve a minimum level of scope 1 + 2 emissions reduction, in line with the 1.5 °C scenario of the Paris Agreement (SBTi) and with the Company's objective of neutralise all its emissions to reach 1+2 by 2025 in its main markets.

Emissions neutralization refers to the purchase of carbon credits to absorb CO2 from the atmosphere.

Carbon credits involve the purchase of CO2 certificates on the voluntary market. These credits are generated from projects that absorb or reduce CO2 from the atmosphere, which must be certified to international standards of the highest quality and where possible have social benefits associated with them. This is verified on an annual basis by an external auditor.

By 2023 and 2024, in line with Telefónica's Climate Action Plan, and SBTi recommendations, carbon credits from reduced emissions from deforestation and degradation will be allowed, with the aim of contributing to slowing deforestation in certain regions where Telefónica has operations.

Scope 1 and 2 emissions consist of direct and indirect CO2 emissions from daily activity caused by fuel consumption, leakage of refrigerant gases and electricity use.

Determining the level of achievement: Neutralisation/ offsetting of emissions is calculated as the difference between Scope 1+2 emissions and the amount of carbon credits retired on behalf of the Company.

The level of direct and indirect CO2 emissions from Telefónica's daily activity is calculated in accordance with the following formula:

CO₂ emission = Activity Data x Emission Factor

Where:

- Activity Data: The amount of energy, fuel, gas, etc. consumed by the company during the year.
- Emission Factor: The amount of CO2 emitted into the atmosphere by the consumption of each activity unit.

For electricity, the emission factor provided by official sources (European Union, Ministries, CNMC, etc.) is used and for fuels the GHG Protocol emission factors are used.

Performance Scale: For each cycle, the Board of Directors, according to a proposal made by the NCCGC, determines a performance scale that includes a minimum threshold of 90% achievement, below which no incentive is paid and the achievement of which implies 5% of the theoretical shares granted being delivered, and a maximum level of 100% achievement, which implies 10% of the theoretical shares granted being delivered. In addition, achieving a minimum level of emission reductions of Scope 1 + 2, in line with the 1.5°C scenario of the Paris Agreement (SBTi), will be necessary for this part of the incentive to be paid.

Operation of the third cycle of the Long-Term Incentive Plan 2021-2026:

The NCCGC conducts an assessment of the objectives on an annual basis and, once each cycle has ended, the level of performance is determined. When conducting this



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

assessment, the NCCGC is supported by the Audit and Supervisory Committee, which provides information on the results audited by the external auditor and the Company's internal auditor, which will have been analyzed first by the Audit and Supervisory Committee itself. The NCCGC also considers any associated risk for both setting the targets and assessing their achievement.

When determining the objective performance level, any positive or negative economic effects caused by extraordinary events that may distort the findings of the assessment are disregarded and the long-term quality of the results are considered in the proposed Long-Term Variable Remuneration.

In order for each of the members to be entitled to receive the corresponding shares, they must have held an employment or commercial relationship with the Telefónica Group on the date the shares of each cycle are settled (subject to the exceptions considered appropriate) and they must have been associated with the Telefónica Group for at least one year.

The Members will not receive the shares to which they may be entitled until the NCCGC and the Audit and Supervisory Committee have carried out the actions described above. The amount paid, if any, will be subject to the malus and clawback clauses set forth in the following subsection "Malus and clawback clauses for the variable remuneration" of this Report.

In any case, 100% of the shares settled within the scope of the Plan to the Executive Directors are subject to a retention period of two years. In addition, as stipulated in Remuneration Policy the Executive Directors must hold (directly or indirectly) a number of shares (including those settled as remuneration) equivalent to two years' gross fixed remuneration as long as they are members on the Board of Directors and perform executive duties.

Until this requirement is met, the retention period for any shares given to Executive Directors under the Plan, if any, is three years.

The foregoing is not applicable to the shares that the Executive Directors need to sell to pay the costs related to their acquisition or, with prior consideration of the NCCGC, to cover extraordinary situations where this is required.

Incentives assigned to the Long-Term Variable Remuneration in force in 2023:

As mentioned above, the cycles in force in 2023 related to the long-term incentive plans are as follows:

	Performance period	Year shares are delivered	Number of granted shares (Value of shares granted as percentage of Fixed Remuneration)	
			Executive Chairman	Chief Operating Officer
Long Term In	centive Plan 20	21 2026:		
First cycle	2021-2023	2024	1,094,000 (200)%	819,000 (180)%
Second cycle	2022-2024	2025	995,000 (200)%	745,000 (180)%
Third cycle	2023-2025	2026	1.110.000 (200)%	831.000 (180)%

The value of the maximum shares granted in each cycle of the Plan is lower than the upper limit set in the Remuneration Policy (250% of the Fixed Remuneration) and in the resolution of the General Shareholders' Meeting held on April 23, 2021.

- First cycle 2021-2024: The maximum number of shares represented, at their grant value, 200% of the Fixed Remuneration for the Executive Chairman (1,094,000 shares) and 180% for the Chief Operating Officer (819,000 shares). In case of over-performance of objectives, no additional shares will be awarded. The number of shares stated above is the maximum number of shares that Executive Directors may receive if they meet or exceed 100% of the targets.
- Second cycle 2022-2025: The grant value of the first cycle (200% of the Fixed Remuneration for the Executive Chairman and 180% for the Chief Operating Officer) has been maintained, with a maximum number of 995,000 shares granted to the Executive Chairman and 745,000 shares granted to the Chief Operating Officer. In case of over-performance of targets, no additional shares will be awarded. In this regard, the number of shares stated above is the maximum number of shares that Executive Directors may receive if they meet or exceed 100% of the objectives.
- Third cycle: 2023-2026: The grant value of the first cycle (200% of the Fixed Remuneration for the Executive Chairman and 180% for the Chief Operating Officer) has been maintained, with a maximum number of 1.110.000 shares granted to the Executive Chairman and 831.000 shares granted to the Chief Operating Officer. In case of over-performance of objectives, no additional shares would be awarded. The number of shares stated above is the maximum number of shares that Executive Directors may receive if they meet or exceed 100% of the objectives.

As noted in this Report, as well as in previous annual reports on directors' remuneration, the maximum number of shares granted under each of the cycles is significantly



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

lower than the maximum limit approved by the Annual General Meeting in 2021.

The number of shares to be provided at the end of each cycle of the Plan will depend on the maximum number of shares granted and the level at which the objectives of the Plan are achieved.

Impact of a change in control on Long-Term Variable Remuneration:

In the event of a change in control in Telefónica, the cycles in progress in 2023 will be subject to early settlement on a pro rata basis, delivering to the Members, where appropriate, the shares, or the equivalent amount in cash, taking into account for such purpose the closing price of the last stock exchange session of the month immediately prior to the date on which the change of control occurs.

The incentive to be paid is pro-rated for the time elapsed since the start date of the relevant cycle, and adjusted according to the achievement of targets on the date of the change of control.

D. PENSION PLAN FOR TELEFÓNICA'S EMPLOYEES

Contributions

The Pension Plan for the Executive Directors follows the same structure as in recent years and both the determination of the amounts and the conditions described below are identical to those applied to the rest of Telefónica's staff in Spain:

- The Executive Chairman: 6.87% of his base salary, plus 2.2% as a mandatory contribution to be made by the Executive Chairman up to the maximum annual limit that the law stipulates from time to time.
- Chief Operating Officer: 4.51% of his base salary, plus 2.2% as a mandatory contribution to be made by the Chief Operating Officer up to the maximum annual limit that the law stipulates from time to time.

Functioning:

As described in each of the Executive Directors contracts, the Pension Plan is a defined-contribution plan and the contingencies covered are as follows: retirement; the member's death; the beneficiary's death; total and permanent disability to work in one's usual profession, absolute and permanent incapacity for all work and serious disability; and severe or major dependency of the member.

The benefits consist of the economic right accrued by the beneficiaries as a result of the occurrence of any of the contingencies covered by this Pension Plan. It is quantified according to the number of account units that correspond to each member based on the amounts contributed to the Pension Plan and is assessed for the purpose of payment according to the value of the account unit from the business day before the date when the benefits become effective.

The members may also exercise their vested rights, in whole or in part, on an exceptional basis in the event of serious illness or long-term unemployment.

The Pension Plan is included within the "Fonditel B Fondo de Pensiones," managed by Fonditel Pensiones, EGFP, S.A.

In the fiscal year 2023 the law may change the financial and tax limits for contributions to pension plans. In this respect, as has been the case in the past, a collective unit-link insurance policy has been taken out to cover the excess of contribution over the annual fiscal limits included in the legislation

This unit-link insurance policy taken out with the company Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros covers the same contingencies as those included in the Pension Plan with the same exceptional liquidity events in the case of serious illness or long-term unemployment.

E. REMUNERATION IN KIND

In addition to the life insurance policy covering death or disability described above, the Executive Directors are provided with a general health insurance policy and dental coverage as remuneration in kind and they are also provided with a company vehicle, all of the foregoing in line with the general policy applicable to the Company's Executives.

The Executive Directors also participate in the Global Employee Share Purchase Plan (GESP), under the same conditions as the rest of Telefónica's employees. The Executive Directors have decided to allocate the maximum amount established in the GESP (€1,800) to the acquisition of shares.

Moreover, Telefónica has taken out a third-party liability insurance policy (D&O) for its managers, executives and staff performing similar duties in the Telefónica Group, with the usual terms and conditions for these kinds of insurance policies. This policy also includes the company's subsidiaries in certain cases.

Malus and clawback clauses for the variable remuneration

Regarding clawback formulae or clauses in order to claim the return of the variable remuneration components based on results, the following should be taken into account if such components have been paid based on data that is later clearly shown to be inaccurate, and in order to adopt measures to avoid any conflict of interest:

- The NCCGC is authorized to propose cancellation of payment of the variable remuneration to the Board of Directors under circumstances of this kind.
- Furthermore, the NCCGC must assess whether exceptional circumstances of this kind could even lead to termination of the relationship with the respective party or parties responsible, proposing to the Board of



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Directors that such measures should be adopted as may be appropriate.

The Remuneration Policy standardizes the malus and clawback clauses for all variable remuneration. The Remuneration Policy to be submitted to the vote of the AGM in 2023 stipulates that the Board of Directors will decide, with a prior report issued by the NCCGC, if necessary, on the following: (i) partial or full cancellation of the variable remuneration pending payment (malus) and/or (ii) partial or full recovery of any variable remuneration component within thirty-six (36) months after its payment (clawback), if certain exceptional situations arise that affect the Company's results or are related to the Executive Director's inappropriate conduct.

For these purposes, exceptional situations shall be deemed as those that will be subject to assessment by the Board of Directors, among others, as examples but not limited thereto, the following:

- Reformulating the company's financial statements without being based on an amendment of the applicable accounting standards.
- If the Executive Officer has been sanctioned for a serious breach of the code of conduct and other internal regulations or serious breach of the regulations that are also applicable thereto.
- In any case, when it is shown that the variable remuneration component in question has been partially or fully assessed based on information that is clearly proven to be false or inaccurate a posteriori, or other unforeseen circumstances not accepted by the company that have a serious negative impact on the profit and loss accounts.
- If the company's external auditor includes exceptions in its report that reduce the results taken into consideration to determine the amount of the variable remuneration payable.

In addition, the malus and clawback clauses set in the Long-Term Incentive Plan 2018-2023, approved by the General Shareholders' Meeting held in 2018, the characteristics of which are set out in the Annual Report on Directors' Remuneration for the years 2018, 2019 and 2020, will remain in force.

Furthermore, the variable remuneration set out in this Policy shall be subject to any other clawback clauses or commitments established in the Company's Variable Remuneration Clawback Policy, if any, approved by the Board of Directors, at the proposal of the NCCGC, in order to, among other purposes, comply with the applicable regulations and/or listing requirements at any given time in the markets in which Telefónica's securities are listed and, in particular, with the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.

Possible severance pay

The contracts signed with the Executive Directors are for an indefinite term and include a non-competition clause. This clause implies that, once the relevant contract has been terminated and during the valid term of the clause (two years after the termination of the contract for any reason), the Executive Directors may not indirectly or directly render their services themselves or through others, either on their own behalf or for third parties, to Spanish or foreign companies that engage in the same or similar business activities as Telefónica.

Regarding the conditions related to the termination of the contracts, the Executive Chairman, Mr. José María Álvarez-Pallete López, and the Chief Operating Officer, Mr. Ángel Vilá Boix, have the same terms and conditions as in their previous contracts, which specify agreed severance pay for termination of the relationship, when appropriate, which could amount to a maximum of four (4) annual payments. Each annual payment consists of the last fixed remuneration and the arithmetic mean of the sum of the last two (2) amounts of annual variable remuneration paid pursuant to the contracts.

In addition, the Executive Directors are members of an Executive Pension Plan that covers the contingencies of retirement, early retirement, permanent total or absolute disability or severe disability and death, the annual contribution to which is equivalent to 35% of the Fixed Remuneration, after deducting the contributions made to the Pension Plan for Telefónica employees described in section D above. However, the receipt of the remuneration described in the previous paragraph is incompatible with the awarding of any financial rights related to this Executive Pension Plan. Therefore, if an Executive Director receives the aforementioned financial remuneration, he/she would not be entitled to any financial rights under this Plan

The implementation vehicle of this Plan approved in 2006 is a unit-linked group life insurance policy taken out with an insurance company, and the amount of the benefit under this guarantee will be equivalent to the mathematical provision applicable to the insured on the date on which the policyholder notifies and proves to the insurance company that he/she is in one of the situations covered by the Plan.

There is currently no vesting of economic rights in favor of the Executive Directors. In the case of legislative amendments on this matter, according to a proposal made by the NCCGC, the Board of Directors could make the appropriate adjustments.

Even though there are no changes planned for the functioning of this Plan, any adjustments to be made to the Executive Pension Plan must be approved by the Board of Directors. These adjustments must be justified and proposed by the NCCGC. The reasons for the adjustments must be duly explained in the annual report on the directors' remuneration.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Contractual terms and conditions for the Executive Directors

The contracts that currently regulate the Executive Directors performing their duties and responsibilities are of a commercial nature and include clauses that are normally used for these kinds of contracts. These contracts have been proposed by the NCCGC, approved by the Board of Directors and have not suffered any significant modifications in 2022.

In addition to the severance pay terms and conditions explained in the previous point, a summary is provided below of the main terms and conditions of the Executive Directors' contracts:

- · Term: Indefinite
- Prior notice: There is an obligation to provide prior notice in the event of the contract being terminated due to a unilateral decision adopted by the Chief Operating Officer, being stipulated that he must notify such unilateral decision in writing with at least three months' prior notice, except in cases of force majeure. If this obligation is not fulfilled, he must pay the Company an amount equivalent to the Fixed Remuneration for the period of prior notice he had failed to observe.
- Exclusivity: During the term of the contracts, it is prohibited to sign (either directly or through intermediaries) any employment, commercial or civil contracts with other companies or institutions that engage in activities similar in nature to those of Telefónica.
- Non-competition clause: The contract states the relationship is compatible with holding representative, administrative and management posts and other professional positions in other companies in the Telefónica Group or in any other undertakings unrelated to the Company when expressly notified to the Nominating, Compensation and Corporate Governance Committee and the Board of Directors.

On the other hand, it states that the relationship is incompatible, during the term of the clause (two (2) years after the termination of the contract for any reason) with directly or indirectly rendering services, as an employee or self-employed, by themselves or through third parties, to any Spanish or foreign companies that engage in activities identical or similar to those of Telefónica.

- Non-disclosure: While the relationship remains in force and also after the termination thereof, there is a nondisclosure duty regarding any information, data and any kinds of reserved and confidential documents that they have knowledge of or to which they have had access as a result of performing their duties.
- Compliance with the regulatory system: The contracts include the obligation to abide by the rules and obligations set out within Telefónica's regulatory system, which are contained, among other regulations, in the

Board of Directors' Regulations and Telefónica's Internal Stock Market Conduct Regulations.

Shareholding commitment

Executive Directors more than meet the shareholding commitment of two years' gross fixed remuneration.

As stipulated in the Remuneration Policy, the Executive Directors must hold (directly or indirectly) a number of shares (including those provided as remuneration) equivalent to two (2) years' gross fixed remuneration as long as they are members on the Board of Directors and perform executive duties.

The term set for achieving this objective is five years, counted from 1 January 2019 or, in the case of Executive Directors appointed at a later time, counted from the date of their appointment, unless the Board of Directors/ NCCGC approve a longer term when exceptional situations arise.

	Shareholding Requirement
Executive Chairman	200% Gross Fixed Remuneration
Chief Operating Officer	200% Gross Fixed Remuneration

As long as the number of shares subject to this commitment has not been reached, the shares that the Executive Director receives within the scope of any variable remuneration component will be subject to a minimum retention period of 3 years; therefore raising the Executive Director's level of commitment.

The foregoing is not applicable to the shares that the Executive Directors need to sell to pay the costs related to their acquisition or, with prior consideration of the NCCGC, to cover extraordinary situations where this is required.

This commitment will be verified by the NCCGC, which, among other issues, will consider aspects such as the share price to be taken into account or the regularity with which the holding commitment will be reviewed.

Although this requirement came into force on January 1, 2019, the Executive Directors are allowed until December 31, 2023 to comply with it

As of December 31, 2022, the Executive Chairman of the Company, Mr José María Álvarez-Pallete López, held 2.168.574 shares in Telefónica, S.A.

The Chief Operating Officer (COO), Mr. Ángel Vilá Boix, held 624.248 Telefónica shares.

The price at which the Executive Directors acquired their shares represents an amount that was well over twice their Fixed Remuneration.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

5.1.5. The Directors' remuneration in their positions as such in 2023

 The remuneration payable to the Directors in their positions as such remains unchanged since 2012.

The remuneration payable to the Directors in their positions as such is structured, within the legal and statutory framework, pursuant to the remunerative criteria and items specified below, up to the maximum limit determined for such purpose by the General Shareholders' Meeting, pursuant to the provisions in Article 35 of the Articles of Association.

According to the foregoing, the Ordinary General Shareholders' Meeting held on April 11, 2003 set the annual gross maximum amount for the remuneration at €6,000,000 payable to the Directors in their positions as members of the Board of Directors.

The aforementioned remuneration is, in all cases, the maximum amount payable and the Board of Directors is responsible for proposing the allotment of the amount among the various items and among the different Directors, taking into account the duties and responsibilities assigned to each Director, membership on Committees within the Board of Directors and other objective circumstances that would be considered relevant

Regarding the fiscal year 2023, according to the market information available, the Committee has proposed to the Board not to increase the Directors' fixed remuneration, both in their positions as such and for performing their executive duties. This remuneration has remained the same since 2012.

	Board of Directors	Executive Committee	Advisory or Supervisory Committee (*)
Chairman (**)	€240,000	€80,000	€22,400
Vicepresident	€200,000	€80,000	-
Propietary Member	€120,000	€80,000	€11,200
Independent Member	€120,000	€80,000	€11,200
Other External Member	€120,000	€80,000	€11,200

(*) In addition, the amount of the attendance fee for each of the meetings of the Advisory or Supervisory Committees is €1,000.

(**) In this regard, the Executive Chairman has waived payment of the aforementioned amounts (i.e. €240,000 as Chairman of the Board of Directors and €80,000 as Chairman of the Executive Committee), as he has done in previous years.

The Executive Directors can waive payment of the aforementioned amounts.

Moreover, the Non-Executive Directors receive the remuneration payable to them due to being members of certain management bodies of Telefónica's subsidiaries and investee companies.

5.1.6. Application of the Remuneration Policy in 2022

GRI 2-19

Summary of the Remuneration Policy applied in 2022 and the results of the ballot on the Annual Report on Remuneration of the Directors for 2021

The remuneration payable in the financial year 2022 was in line with the terms of the Remuneration Policy approved on a binding basis at the General Shareholders' Meeting held on April 23, 2021, pursuant to the provisions in the Transitional Provision of Article 529 Novodecies of the Spanish Corporate Enterprises Act.

More details on the current Remuneration Policy can be found at the following link: https://www.telefonica.com/es/wp-content/uploads/sites/4/2021/10/politica-remuneraciones-consejeros-telefonica.pdf

There have been no deviations from the procedure for the application of the remuneration policy, nor have any temporary exceptions been applied.

In this respect, the remuneration payable in 2022 to the Executive Directors and the Directors in their positions as such consists of the same components as those described for the current Remuneration Policy in force in 2023.

The detailed description of the Directors' remunerative system for 2022 was included in section 5.1.4 of the Annual Report on the Directors' Remuneration for 2021. This report was approved by 53.28% of the votes cast, with a 42.89% of votes against and 3.83% abstentions.

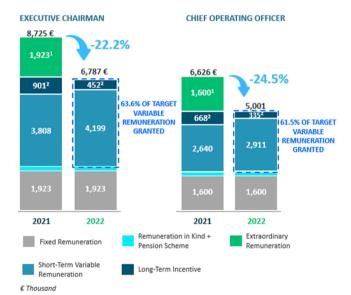


- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The Executive Directors' remuneration structure

- The remuneration accrued in 2022 has decreased significantly compared to the remuneration in 2021:
- Executive Chairman: -22.2%.
- Chief Operating Officer: -24.5%.
- In this respect, the Executive Chairman and the Chief Operating Officer in 2022 have accrued 63.6% and 61.5%, respectively, of the target variable remuneration initially granted.
- In particular for the third cycle (2020-2023) of the 2018-2023 Long-Term Incentive Plan, taking into account the Telefónica's share price as at December 31, 2022, the economic value of the incentive to be received in shares by the Executive Directors is 25.35% of the incentive originally granted.

The pay mix for Telefónica's Executive Directors in the last two years is shown below:



¹Extraordinary remuneration as a consequence of extraordinary efforts made by executive directors in corporate transactions of special relevance. The remuneration policy to be submitted to the 2023 Annual General Meeting eliminates the possibility of receiving

The following table compares the accrued amount of longterm variable remuneration for the period 2021-2022, in relation to the amounts granted for a target scenario of achievement objectives (that is, 100% achievement)

% (accrued amount / target amount granted)

	2021	2022
Executive Chairman	64.4%	63.6%
Chief Operating Officer	62.7%	61.5%

The Executive Directors' remuneration in 2022

A. FIXED REMUNERATION

The Executive Chairman: €1,923,100.

In case of the Executive Chairman, the amount of his Fixed Remuneration in 2022 was the same as that paid since 2013, which was determined in his position as Chief Operating Officer, which remained the same after his appointment as Chairman in 2016.

The Chief Operating Officer: €1,600,000.

This remuneration is the same as the amount paid when Mr. Vilá was appointed as the company's Chief Operating Officer on 26 July 2017.

B. SHORT-TERM VARIABLE REMUNERATION

The Executive Chairman: €4,198,897

Calculated as the fixed remuneration (€1,923,100) multiplied by the Target Amount (180%) multiplied by the weighted pay coefficient (121.3%).

The Chief Operating Officer: €2,911,200

Calculated as the fixed remuneration (€1,600,000) multiplied by the Target Amount (150%) multiplied by the weighted pay coefficient (121,3%).

For fiscal year 2022, the Board of Directors approved, according to a proposal made by the NCCGC, the quantifiable and measurable metrics that best reflected the levers for creating value for the Telefónica Group with the aim of guaranteeing fulfillment of its corporate plan. These metrics and their relative weightings are the following:

² In order to determine the incentive value of the second and third cycle of the 2018-2023 Long-Term Incentive Plan, the number of accrued shares by each Executive Director has been multiplied by the Telefonica's share price as at December 31, 2021, and December 31, 2022, respectively.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

METRIC	DEFINITION AND MEASURING METHOD	WEIGHTING
FINANCIAL OBJ	ECTIVES	80%
OPERATING REVENUE	This corresponds to service revenues, revenues generated from the company's core business, revenues for terminal sales and other Operating Revenue.	30%
OIBDA	This is the Operating Revenue Before Depreciations and Amortizations. The Operating Result includes the Operating Revenue minus all costs (direct, commercial, customer management, network, systems, support and employees, among others)	30%
FREE CASH FLOW	This means the amount of funds generated from transactions throughout the year and it is calculated as funds collected from customers minus the payments required to carry out transactions and investment in assets, therefore including payments to suppliers, employees, as well as spectrum, fees, taxes and interest on debt.	20%
NON-FINANCIAL O	BJECTIVES - ESG	20%
CUSTOMER TRUST (NPS/NPS GAP)	NPS and NPS GAP are the metrics used to measure our customers' experience. It calculates their willingness to recommend our products and services; as well as the difference in the value obtained compared with our main competitor in the same survey. It is built through the answer to the following question: How likely are you to recommend the services of Movistar/O2/Vivo to a family member, friend or colleague? (On a scale of 1 to 10, 1 means, I would not recommend it; and 10 means I would recommend it). Ratings between 9 and 10 are considered promoters and between 1 and 6 are considered detractors. NPS = % Promoters – % Detractors	9%
SOCIETY TRUST (REP Trak ®)	RepTrak® Pulse is the metric used to measure the reputation (society's perception of Telefónica). It measures the emotional appeal of our brands according to 4 fundamental elements: admiration and respect, esteem, confidence and good impression.	3%
CLIMATE CHANGE (Greenhouse gas emissions)	Greenhouse gas (GHG) emissions are the metric used to measure our environmental impact. This is measured through direct and indirect CO ₂ emissions from our daily activity due to fuel consumption, refrigerant gas leaks and electricity use. CO2 emission = Activity Data x Emission Factor - Activity data: The amount of energy, fuel, gas, etc. consumed by the Company - Emission Factor: The amount of CO2 emitted into the atmosphere by the consumption of each activity unit. For electricity, the emission factor provided by official sources (European Union, Ministries, CNMC, etc.) is used and for fuels the GHG Protocol emission factors are used. Constant emission factors are used for the annual remuneration in order to avoid variations due to causes beyond the Company's control.	5%
GENDER EQUALITY (% of Women in executive positions)	The percentage of women among the managers in the Telefónica Group is the metric used to measure the objective related to Gender Equality. It is measured on the total of the Telefónica Group Managers in the workforce at the end of December. The managers group is defined according to the criteria and processes determined by the People area at a corporate level. Prior to validation by the NCCGC, there is a Transparency and Diversity Committee, made up of the Chairman and four members of the Executive Committee, which validates, on a monthly basis, the proposals for appointments from this group to ensure compliance with the measures and policies established in the area of transparency and gender equality.	3%

Throughout the year, the NCCGC monitored such objectives set for the Short-Term Variable Remuneration in 2022, payable in 2023.

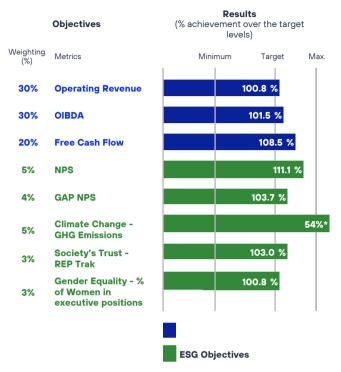
The aforementioned objectives were finally assessed based on the audited accounts for the fiscal year 2022, according to the following process:

 The results for the fiscal year 2022 and the level of achievement of the objectives were firstly examined by the Audit and Supervisory Committee, based on the results audited by PRICEWATERHOUSECOOPERS AUDITORES, S.L. After this examination, the NCCGC determined a proposal for the Short-Term Variable Remuneration that was submitted to the Board of Directors. The Committee also considered the quality of the long-term results and any associated risk in the proposal for variable remuneration.

2. Lastly, the Board of Directors approved the proposal for the Short-term Variable Remuneration submitted by the NCCGC. As a result of the foregoing, and according to that stipulated in recommendation 59 of the Good Governance Code, the Board agreed to pay the Executive Directors during the first quarter of 2023 the

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

amounts set out below, based on the following levels of achievement:



^{*}The GHG Emissions climate change KPI has an inverse payout curve, so that achievements below 100% (emissions level below the target) are positive, and result in payouts above 100%.

The level of achievement of all objectives has been between the target level and the maximum level, with the exception of the GHG emission reduction objective, where the maximum level has been exceeded. After applying the performance scales for each of the objectives, a weighted payment coefficient of 121.3% has been determined. This payment coefficient corresponds to €4,198,897 for the Executive Chairman (121.3% of the target amount) and €2,911,200 for the Chief Operating Officer (121.3% of the target amount). The Short-Term Variable Remuneration target was 180% of the Annual Fixed Remuneration for the Executive Chairman and 150% of the Annual Fixed Remuneration for the Chief Operating Officer.

C. LONG-TERM VARIABLE REMUNERATION

Long-Term Incentive Plan 2018-2023. Third cycle 2020-2023 accrual

The General Shareholders' Meeting held in 2018 approved a Long-Term Incentive Plan consisting of providing Telefónica, S.A.'s shares, aimed at Executives of Telefónica that, meeting the requirements stipulated for such purpose from time to time, were invited to participate therein, including the Executive Directors de Telefónica, S.A.

The measurement period for the objectives of the third cycle of the 2018-2023 Plan ended on December 31, 2022. The theoretical number of granted shares, corresponding

to the Executive Directors, if 100% of the TSR and Free Cash Flow objectives are achieved, was as follows:

- · The Executive Chairman: 267,000 shares.
- · The Chief Operating Officer: 198,000 shares.

In order to determine the correct number of shares to be granted at the end of the aforementioned cycle, the NCCGC analyzed the level of achievement of each of the two objectives.

		Company Results	Incentive Accrued
		75th percentile or above	100%
Relative TSR*	50%	Median	30%
		Below median	0%
		100% of achievement	100%
Free Cash Flow	50%	90% performance	50%
		Lower than 90% performance	0%

* Peer group: America Movil, BT Group, Deutsche Telekom, Orange, Telecom Italia, Vodafone Group, Proximus, Koninklijke KPN, Millicom, Swisscom, Telenor, TeliaSonera and Tim Brasil.

Regarding the Relative TSR, the weighting of which is 50%, Kepler provided the NCCGC with the calculation of Telefónica's Relative TSR since the beginning of the cycle (2020) until its end (2022), related to the TSR obtained by certain companies belonging to the telecommunications sector, weighted according to their relevance for Telefónica which are included in the comparison group are the following: America Movil, BT Group, Deutsche Telekom, Orange, Telecom Italia, Vodafone Group, Proximus, Koninklijke KPN, Millicom, Swisscom, Telenor, TeliaSonera and Tim Brasil

Telefónica's TSR ended up being below the median according to the achievement scale used. Therefore, no right whatsoever was generated to receive shares linked to achieving the Relative TSR objective.

Regarding the Free Cash Flow, the weighting of which is the remaining 50%, the Planning and Supervision Department drew up a report related to the Free Cash Flow generated by the Telefónica Group in each year in the objective measurement period (2020, 2021 and 2022), based on the results audited by the company's internal and external auditors, comparing it with the value set in the budgets approved by the Board of Directors for each fiscal year.

The final performance was considered as the average of the partial annual results obtained and approved by the NCCGC.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The NCCGC has been conducting annual monitoring of the Free Cash Flow and the level of performance is determined once the report issued by the Planning and Supervision Department has been analyzed. When conducting this assessment, the NCCGC was supported by the Audit and Supervisory Committee, which provides information about the results audited by the Company's external auditor.

In this respect, the annual achievement level of Free Cash Flow was 113% (year 2020), 135% (year 2021) and 108.5% (year 2022). Therefore, the payment coefficient linked to Free Cash Flow was 100%.

Bearing in mind the results of the Relative TSR and the Free Cash Flow, the weighted payment coefficient amounted to 50%.(133,500 shares for the Executive Chairman and 99,000 shares for the Chief Operating Officer). The **value of these shares** at December 31, 2022 **was 25.3% of the value of the maximum incentive** initially granted in 2020. This incentive will be paid during March 2023.

D. PENSION PLAN FOR TELEFÓNICA'S EMPLOYEES

The contributions made in 2022 to the "Fonditel B, Fondo de Pensiones" Pension Plan:

- The Executive Chairman: € 7,574
- The Chief Operating Officer: € 6,721

The contributions made in 2022 to the unit link insurance policy, related to the Pension Plan, taken out with Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros were as follows:

- The Executive Chairman: €124.543.
- The Chief Operating Officer: €64,439.

The Pension Plan for the Executive Directors follows the same scheme and is aligned with the Pension Plan for Telefónica's employees regarding its terms and conditions and the contribution percentages.

	Contribution (% regulatory salary)	Fonditel Pension Plan	+	Unit-Link insurance policy	Total
Executive Chairman	6.87%	€7,574	+	€124,543	€132,117
Chief Operating Officer	4.51%	€6,721	+	€65,439	€72,160

The contribution percentages are aligned with Telefónica's employee pension plan.

The amount of the vested rights on December 31, 2022 was as follows:

- Mr. José María Álvarez-Pallete López: €321,744 (of which the amount of €160,852 corresponds to the rights generated by the Pension Plan of Telefónica Internacional and the rest Telefónica's Pension Plan).
- Mr. Ángel Vilá Boix: €343,300 (of which the amount of €22,022 corresponds to the rights generated by the Pension Plan of Telefónica España and the rest Telefónica's Pension Plan).

The mathematical provision of the unit-link insurance policy on December 31, 2022, was as follows:

- Mr. José María Álvarez- Pallete López: €982,846.
- Mr. Ángel Vilá Boix: €471,805.

It should be noted that the development of accumulated funds reflects both the contributions made and the revaluation of these funds.

Additional information about the features of the Pension Plan for employees can be found in section 5.1.4.D) of this report.

E. REMUNERATION IN KIND

In this respect, the Executive Directors receive the following benefits:

- An insurance policy for general health and dental coverage.
- A life insurance policy with coverage for death and disability.

The cost of this remuneration in kind in 2022 amounted to €80,784 for the Executive Chairman and €64,905 for the Chief Operating Officer. Additionally, in the statistic annex shows the remuneration in kind corresponding to the vehicle in use (€18,429).

Telefónica has also taken out a third-party liability policy (D&O) for directors, executives and other staff with similar duties in the Telefónica Group, with the customary terms and conditions for this type of insurance.

F. EXECUTIVE PENSION PLAN

As explained in section 5.1.4 above, there is currently no vesting of economic rights in favor of the Executive Directors. In the case of legislative amendments on this matter, according to a proposal made by the NCCGC, the Board of Directors could make the appropriate adjustments.

In addition, if any severance pay is received due to the termination of the employment relationship, this will be incompatible with the being granted any economic right whatsoever linked to this Plan.

The contributions in 2022 to the benefits plan were as follows:

. The Executive Chairman: €540,968.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

The Chief Operating Officer: €487,840.

The expected rights on December 31, 2022 were as follows:

- Mr. José María Álvarez-Pallete López: €9,981,981.
- Mr. Ángel Vilá Boix: €7,762,083

Further information:

- Malus and clawback clauses: These clauses were not applicable in the fiscal year 2022.
- During the fiscal year 2022, the Executive Directors did not receive nor accrue any payment for early termination or termination of their contracts, or advances, loans or guarantees, or payments made by Telefónica to a third party to which the director provides services, or any other remunerative item apart from the ones already mentioned
- The terms and conditions of the Executive Directors' contracts in 2022 were the same as those described in section 5.1.4 of this report.

Remuneration of the directors in their positions as such

The remuneration payable to the Directors in their positions as such is according to the same scheme as the one described in section 5.1.5 of this report and the one applied in previous fiscal years.

In this respect, as explained in section 5.1.5 of the Annual Directors' Remuneration Report for 2021, in the year 2022 the Executive Chairman waived payment of €240,000 as Chairman of the Board of Directors, and €80,000 as Chairman of the Executive Committee.

External Directors also receive the remuneration to which they are entitled for belonging to certain Management Decision-Making Bodies of some Subsidiaries and affiliates of Telefónica.

According to the foregoing, the aggregate remuneration for the items in 2022 was as follows:

	2022	2021
Fixed amount due to being a member on the Board, Executive Commission and Advisory or Supervisory Committees	€2,604,801	€2,841,100
Fees for attending the meetings of the Advisory or Supervisory Committees	€247,000	€260,000
Remuneration for being a member on certain Management Decision- Making Bodies of some subsidiaries of Telefónica	€1,068,598	€704,912

During the fiscal year 2022, the Directors in their positions as such did not accrue payments for early termination or termination of their contracts, or advances, loans or guarantees, or payments made by Telefónica to a third party to which the director provides services, or any other remuneration item apart from the ones already mentioned.

The individual amounts per director are provided in the statistical annex attached to this Report.

5.1.7. The process for determining the Remuneration Policy and the Company's bodies involved

GRI 2-20

The NCCGC, the responsibilities and duties of which are stipulated in Article 40 of the Articles of Association, Article 23 oNCCGC's Regulations, plays a crucial role in defining the Telefónica Group's Remuneration Policy and in developing and deciding on its components; however the most important decisions must be approved by the Board of Directors.

The Committee's mandate, within the scope of remuneration, consists of continuously reviewing and updating the remuneration system applicable to the Directors and Senior Executive Directors and designing new remuneration plans that enable the Company to attract, retain and motivate the most outstanding professionals, aligning their interests with the Company's strategic objectives.

In addition, other bodies and external advisors take part in the process of determining the Remuneration Policy.

The functions performed by the various company bodies involved in determining and approving the Remuneration Policy and its conditions are explained below, along with a reference to the involvement of external advisors in this matter:



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Determining and designing the remuneration elements

It approves the Remuneration Policy at least every three years as a separate item on the agenda

It approves the maximum amount of the annual remuneration for all the Directors in their positions as

General Shareholders' Meeting

It approves the variable remuneration systems for the Directors that include payment in shares or stock options or share-linked instruments.

It has an advisory vote on the Annual Report about the Directors' Remuneration, detailing the remuneration accrued during the last financial year.

Applying the variable remuneration

Advisory vote on the Annual Report on Remuneration of the Directors, in which the remuneration accrued during the financial year is disclosed.

Analysis of the external competitiveness of the remuneration

Directors in their positions as such: It approves the allocation of the maximum amount approved by the General Shareholders' Meeting among the various components

Executive Directors: It approves the fixed remuneration and the main terms and conditions of the short- and long-term variable remuneration system.

The Board approves adaptations or updates to the Remuneration Policy.

It approves the contracts that regulate the duties and responsibilities of the Executive Directors.

It approves the Annual Report on Remuneration of the Directors to be submitted to the advisory vote at the General Shareholders' Meeting

It approves the design, target amounts the level the targets are achieved and the amounts of the incentive payable, if any, both for the short-term and long-term variable remuneration of the Executive Directors, based on a proposal made by the NCCGC

It approves the Annual Report on Remuneration of the Directors to be submitted to the advisory vote of the General Shareholders' Meeting. It evaluates, if necessary, application of the malus and/or clawback clauses.

It is reported based on analysis and remuneration studies of the Directors' remuneration conducted by the NCCGC.

Directors

Board of

Directors in their positions as such: It proposes the allotment of the maximum amount to the Board of

Directors approved by the General Shareholders'

Meeting, among the various items.

The Committee reviews the Directors' remuneration on a regular basis to ensure that it is appropriate for the duties they perform.

- It proposes the fixed remuneration for the Executive Directors to the Board of Directors considering, among other factors, their level of responsibility and leadership within the organisation, promoting the retention of key staff, attracting top talent and creating sufficient economic independence to ensure a balance with the significance of other items included in the remuneration.
- It reviews, on an annual basis, the terms and conditions for the variable remuneration, including the structure and maximum levels of remuneration, the targets set and the weighting of each of them, taking into account the company's strategy, needs and business situation. These conditions are subject to the approval of the Board of Directors.
- It proposes the contracts to the Board of Directors that regulate the duties and responsibilities of the **Executive Directors**
- It proposes the Annual Report on Remuneration of the Directors and the Remuneration Policy, when appropriate, to the Board of Directors.

When carrying out these actions, the Nominating, Compensation and Corporate Governance Committee takes into account the votes of the shareholders at the General Shareholders' Meeting to which the Annual Report on Remuneration of the Directors for the previous year was submitted, in an advisory manner

It proposes the targets at the beginning of each measurement period to the Board of Directors.

It assesses achievement of the targets at the end of the measurement period. Since payment of the variable remuneration is subject to sufficient verification that the stipulated targets have effectively been achieved, as determined in recommendation 59 of the Good Governance Code, this assessment is carried out on the basis of the results audited by the Company's external and internal auditors, which are first analysed by the Audit and Supervisory Committee, as well as the level of achievement of the targets. In this respect, for the purpose of ensuring that there is an effective relation between the variable remuneration and the professional performance of the recipients thereof, any positive or negative economic impact caused by extraordinary events that could distort the findings of the assessments are disregarded.

Submits a report to the Board, when appropriate, on whether or not application of the malus and/or clawback clauses is necessary.

It proposes to the Board of Directors the variable remuneration payable to the Executive Directors. Such proposal also considers the long-term results and any associated risk in the proposed variable remuneration.

It proposes Annual Report on Remuneration of the Directors and, when appropriate, the Remuneration Policy to the Board of Directors.

It regularly reviews the Directors remuneration. This process includes an external competitive remuneration analysis and also takes into account the Remuneration Policy for the executives and other employees in the organisation

A reference market, selected based on a series of objective standards, is considered when conducting the external competitiveness analysis, according to the terms set out below:

- 1. A sufficient number of companies are selected to obtain results that are representative and statistically reliable and sound.
- 2. Data on size (revenues, assets, market capitalisation and number of employees) are considered so that Telefónica is positioned at the median of the comparison group.
- 3. Geographic distribution: Mainly companies with their parent company located in Continental Europe and in the United Kingdom are included, as well as representative North American enterprises in the technology, media and entertainment sector or related to such sector that are benchmarks for the company.
- 4. Geographic scope: Companies are included that operate at an international level.

Distribution by sector: It is a multisector sample, with homogeneous distribution among the business

Audit and Supervisory Committee

Nominating,

Governance

Committee

Compensation

and Corporate

It analyzes the results audited by the external and internal auditor to evaluate achievement of the objectives for the variable remuneration



- 1. Strategy and growth model
 2. Non-financial Information statement
 3. Risks
 4. Annual Corporate Governance Report
 5. Annual Report on Remuneration of the Directors
 6. Other information

	Determining and designing the remuneration elements	Applying the variable remuneration	Analysis of the external competitiveness of the remuneration
Planning and Control, Corporate Ethics and Sustainability Human Resources		They prepare reports related to the achievement level of the operative, financial and non-financial targets based on the results audited by the Company's external and internal auditor.	
Secretary General	This person prepares the formal documents related to the Remuneration Policy to be submitted to the General Shareholders' Meeting, the Board of Directors, the Executive Committee and/or the Advisory or Supervisory Committees. Together with HR Management, he/she prepares the Annual Report on the Directors' Remuneration.	prepares the Annual Report on Directors'	
Human Resources	It prepares the proposals related to the design of the Remuneration Policy applicable to the Executive Directors. Together with the General Secretary, it prepares the Annual Report on Remuneration of the Directors.	Together with General Secretary, it prepares the Annual Report on Remuneration of the Directors	It regularly reviews the Directors' remuneration
External Advisors in 2022	WTW provided advice on preparing the Annual Report on Remuneration of the Directors for 2022. The law firm Garrigues also took part in the review of the aforementioned report.	Mercer-Kepler analyses the level of achievement of the Total Shareholder Return (TSR) of Telefónica for each of lifecycles of the share plan on a quarterly basis.	WTW provides advice on the comparative analysis of the Directors' and the Senior Executives' remuneration package against the market.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

5.1.8. The work performed by the Nominating, Compensation and Corporate Governance Committee

Pursuant to Article 40 of the Articles of Association, Article 23 of the Board of Directors' Regulations and Article 1 of the NCCGC's Regulations, the Committee must be composed of no fewer than three Directors appointed by the Board of Directors; they must be external or Non-Executive Directors and the majority of them must be independent Directors. The Independent Coordinating Director must be a member on the Committee. Lastly, it is also stated that the Chairperson of this Committee must be an independent Director in all cases.

In this respect, the Committee is composed of the following Directors:

Name	Position	Туре	Date of Appointment
Mr. José Javier Echenique Landiríbar	Chairman	Independent	May 4, 2017 (as a Member) December 18, 2019 (the date he was appointed as Chairman
Mr. Peter Erskine	Member	Other External Director	February 27, 2008
Mr. Peter Löscher	Member	Independent	April 17, 2020
Ms. María Luisa García Blanco	Member	Independent	December 18, 2019
Mr. Francisco Javier de Paz Mancho	Member	Other External Director	April 8, 2016

The NCCGC applies the Technical Guide 1/2019 on Appointment and Remuneration Committees, approved by the National Securities Market Commission on February 20, 2019, as well as the revised CNMV's Good Governance Code for Listed Companies published on June 20, 2020.

During fiscal year 2022 and up to the date this report was approved, the most significant activities carried out by the NCCGC have been the following:

Year 2022:

- Drawing up an Annual Work Plan for 2022, in order to ensure suitable planning to guarantee the objectives sought are effectively achieved by the Committee.
- Proposals for appointments related to the Board of Directors and its Committees, and to the Boards of Subsidiary Companies.
- Analysis of the organizational structure of the Telefónica Group and other issues related to the staff.
- Evaluation of objective performance linked to the shortterm variable remuneration of Executive Directors for the fiscal year 2021 (payable in 2022).
- Assessment of fulfillment of the objectives linked to the second cycle 2019-2022 of the 2018-2023 Long-Term Incentive Plan for the Executive Directors.
- Analysis of the Executive Directors' total remuneration for 2022.
- Analysis of the total remuneration for the members of the Executive Committee in 2022.
- Proposal for determining and monitoring the objectives linked to the short-term variable remuneration of Executive Directors for the fiscal year 2022.
- Proposal regarding the 2021 Annual Report on the Directors' Remuneration to be submitted to the Board of Directors and subsequently submitted to the Ordinary General Shareholders' Meeting held in 2022.

Year 2023:

- Analysis of the Executive Directors' total remuneration for 2023.
- Evaluation of objective performance linked to the Short-Term Variable Remuneration of Executive Directors for fiscal year 2022 (payable in 2023).
- Assessment of the achievement of the objectives linked to the third cycle 2020-2023 of the Long-Term Incentive Plan 2018-2023 (to be paid out in 2023).
- Proposal for determining the objectives linked to the Short-Term Variable Remuneration of the Executive Directors for fiscal year 2023.
- Proposal for determining the objectives linked to the third cycle 2023-2026 of the Long-Term Incentive Plan 2021- 2026.
- Proposal for the Directors' Remuneration Policy to be submitted to the Board of Directors and subsequently to the Ordinary General Shareholders' Meeting to be held in 2023.
- Proposal for the 2022 Annual Report on the Directors' Remuneration to be submitted to the Board of Directors and subsequently to the Ordinary General Shareholders' Meeting to be held in 2023.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

Moreover, it should be pointed out that the NCCGC can request the Board of Directors to hire legal, accounting and financial advisors and other experts at the company's expense. In this respect, WTW provided advice on drawing up this Annual Report on the Directors' Remuneration. Likewise, the law firm Garrigues took part in the review thereof.

5.1.9. Alignment of the remuneration system with the risk profile and with sustainable and long-term results

Telefónica's Remuneration Policy has the following features that enable its exposure to excessive risks to be reduced and adjustment to the Company's long-term targets, values and interests:

Adopting measures related to the staff categories whose professional work has a significant impact on the Company's risk profile

- The NCCGC supervises the examination, analysis and application of the remuneration policy of the professionals whose work could have a significant impact on the Company's risk profile.
- · No guaranteed variable remuneration.
- The variable remuneration is only payable after the date the relevant annual accounts have been drawn up, once the achievement level of the operating and financial objectives can be determined.
- The NCCGC considers the quality of the results in the long-term and any associated risk in the evaluation process of variable remuneration.
- The design of the Long-Term Incentive Plans, each one
 with three-year cycles, implies an interrelation with the
 results in each year, therefore acting as an alignment
 catalyst with the company's long-term interests and
 cautious decision-making.
- The NCCGC is authorized to propose cancellation of payment of the variable remuneration to the Board of Directors under certain circumstances. Detailed information on this point can be found in section 5.1.6 of this report.

The Remuneration Policy contains specific and consistent malus and clawback clauses, to be applied to any variable remuneration component. In this respect, there is a possibility to (i) partially or fully cancel the variable remuneration pending payment (malus) and/or (ii) partially or fully recover any variable remuneration component within thirty-six (36) months after payment thereof (clawback), when certain exceptional situations arise that affect the company's results or are related to the Chief Operating Officer's inappropriate conduct.

 The Company's Audit and Supervisory Committee takes part in the decision-making process related to the Short-Term Variable Remuneration of the Executive Directors by verifying the economic-financial and non-financial information that may be part of the objectives set for the purpose of such remuneration, as this Committee must first verify the company's results as the basis for calculating the relevant objectives.

- The NCCGC is composed of 5 members, two of whom are also members on the Audit and Supervisory Committee. The fact that some Directors are members of these two Committees ensures that the risks related to remuneration are taken into account in the discussions held by both Committees and in their proposals submitted to the Board, both in the determination and assessment process of the annual and multiannual incentives.
- According to the Remuneration Policy, at the proposal of the NCCGC, the Board of Directors is authorized to agree on the possible revaluation or modification of the remuneration linked to the results if there are significant internal or external changes that mean they need to be reviewed.
- Regarding the measures required to avoid conflicts of interest by the directors, according to the provisions in the Spanish Capital Companies Act, the Regulations of Telefónica's Board of Directors includes a series of obligations related to its duties of loyalty and to avoid situations of conflict of interest. Moreover, the NCCGC's Regulations determine that one of its duties is to ensure that possible conflicts of interest do not harm the independence of the external advice provided to the Committee.

Consistency with the Company's strategy and focus on achieving results in the long-term

- The design of the remuneration policy, consistent with the Company's strategy and aimed at obtaining longterm results, is as follows:
 - The total remuneration for the Executive Directors and Senior Executives consists of various remunerative components, mainly composed of the following: (i) Fixed Remuneration, (ii) Short-term Variable Remuneration and (iii) Long-term Variable Remuneration. In the case of the Executive Directors, under normal conditions, at the date of the grant this long-term component accounts for a weight of on the date such General no less than 30% of their total remuneration in a scenario of standard achievement of objectives (fixed + shortterm variable + long-term variable). The long-term remuneration accrued in 2022 has had a lower weighting due to the relative TSR objective not being met and due to the decrease in the share value compared to the price at which the shares were granted in 2020.
 - b. The Long-Term Variable Remuneration plans are part of a multi-annual framework in order to ensure that the assessment process is based on long-term profits and that the company's underlying economic cycle is taken into account. This



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

remuneration is allocated and paid in the form of shares based on the creation of value, so that the Executives' interests are in line with those of the shareholders. In addition, they are overlapping cycles that generally follow one another indefinitely over time, with a permanent focus on the long-term in all decision-making.

- c. Under the Remuneration Policy, 100% of the shares provided within the scope of the Long-Term Incentive Plan 2021-2026 to the Executive Directors and other members determined by the Board of Directors are subject to a retention period of two years. In addition, if an Executive Director does not fulfill the commitment to permanently hold the shares, the retention period of the shares that, if any, they receive due to any variable remuneration component will be increased up to 3 years.
- A suitable balance between the fixed and variable components of the remuneration: Executive Directors have a variable remuneration scheme that is fully flexible, which includes a minimum threshold below which no incentive is payable. The Short- and Long-Term Variable Remuneration percentage can be relevant in the event of maximum objective performance. In any case, such percentage with respect to the total remuneration (considered as the Fixed Remuneration, Short-Term Variable Remuneration and annualized Long-Term Incentive) will not exceed 85%.
- Receiving 20% of the Short-Term Variable
 Remuneration is linked to the following ESG metrics:
 NPS (5%), NPS GAP (4%), Climate Change GHG
 Emissions (5%), Society's Trust REP Trak (3%), Gender
 Equality % of women in executive positions (3%).
 Additionally, payment of 10% of the incentives
 corresponding to the three cycles of the Long-Term
 Incentive Plan 2021-2026 are linked to the neutralization
 of CO2 emissions.

5.1.10. Remuneration of members of Senior Management (non-Directors)

See Annex II (Remuneration to the Board and Senior Management) of the Consolidated Annual Accounts of Telefónica corresponding to fiscal year 2022.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors

6. Other information

5.2. Annual Report Corporate Governance Report Statistical Annex

Annual Report on Remuneration of Directors of listed companies Statistical Annex (established by Circular 3/2021, of September 28, of the National Securities Market Commission, which modifies Circular 4/2013, of June 12, which establishes the annual remuneration report models of the Directors of listed public limited companies)

Unless otherwise indicated all data as of December 31, 2022

B. Overall summary of how remuneration policy has been applied during the year ended

B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of abstentions and negative, blank and in favor votes that have been issued:

	Number	% of total		
Votes cast	3,234,412,128	55.97 9		
	Number	% cast		
Votes against	1,387,366,467	42.90 %		
Votes in favour	1,723,151,319	53.28 %		
Blank ballots	_	- %		
Abstentions	123,894,342	3.84 %		



- Strategy and growth model
 Non-financial Information statement
 Risks

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

6. Other information

C. Itemised individual remuneration accrued by each Director

Name	Туре	Period of accrual in 2022
Mr. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	Executive Chairman	From 01/01/2022 to 31/12/2022
Mr. ISIDRO FAINÉ CASAS	Proprietary Vice Chairman	From 01/01/2022 to 31/12/2022
Mr. JOSÉ MARÍA ABRIL PÉREZ	Proprietary Vice Chairman	From 01/01/2022 to 31/12/2022
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	Independent Vice Chairman	From 01/01/2022 to 31/12/2022
Mr. ÁNGEL VILÁ BOIX	Chief Operating Officer	From 01/01/2022 to 31/12/2022
Mr. JUAN IGNACIO CIRAC SASTURAIN	Independent Director	From 01/01/2022 to 31/12/2022
Mr. PETER ERSKINE	Other External Director	From 01/01/2022 to 31/12/2022
Ms. CARMEN GARCÍA DE ANDRÉS	Independent Director	From 01/01/2022 to 31/12/2022
Ms. MARÍA LUISA GARCÍA BLANCO	Independent Director	From 01/01/2022 to 31/12/2022
Mr. PETER LÖSCHER	Independent Director	From 01/01/2022 to 31/12/2022
Ms. VERÓNICA PASCUAL BOÉ	Independent Director	From 01/01/2022 to 31/12/2022
Mr. FRANCISCO JAVIER DE PAZ MANCHO	Other External Director	From 01/01/2022 to 31/12/2022
Mr. FRANCISCO JOSÉ RIBERAS MERA	Independent Director	From 01/01/2022 to 31/12/2022
Ms. MARÍA ROTONDO URCOLA	Independent Director	From 01/01/2022 to 31/12/2022
Ms. CLAUDIA SENDER RAMÍREZ	Independent Director	From 01/01/2022 to 31/12/2022

- 1. Strategy and growth model
- 2. Non-financial Information statement
- Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

C.1 Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the financial year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed Remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total in 2022	Total in 2021
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	0	0	0	1,923	4,199	0	0	0	6,122	7,654
MR. ISIDRO FAINÉ CASAS	200	0	80	0	0	0	0	0	280	280
MR. JOSÉ MARÍA ABRIL PÉREZ	200	9	91	0	0	0	0	0	300	302
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	200	24	114	0	0	0	0	0	338	337
MR. ÁNGEL VILÁ BOIX	0	0	0	1,600	2,911	0	0	0	4,511	5,840
MR. JUAN IGNACIO CIRAC SASTURAIN	120	30	34	0	0	0	0	0	184	163
MR. PETER ERSKINE	120	19	114	0	0	0	0	0	253	257
MS. CARMEN GARCÍA DE ANDRÉS	120	32	34	0	0	0	0	0	186	163
MS. MARÍA LUISA GARCÍA BLANCO	120	32	45	0	0	0	0	0	197	165
MR. PETER LÖSCHER	120	23	114	0	0	0	0	0	257	251
MS. VERÓNICA PASCUAL BOÉ	120	7	11	0	0	0	0	0	138	141
MR. FRANCISCO JAVIER DE PAZ MANCHO	120	33	125	0	0	0	0	0	278	277
MR. FRANCISCO JOSÉ RIBERAS MERA	120	0	0	0	0	0	0	0	120	120
MS. MARÍA ROTONDO URCOLA	120	20	22	0	0	0	0	0	162	35
MS. CLAUDIA SENDER RAMÍREZ	120	18	22	0	0	0	0	0	160	160

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risk
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

	Financial instruments at start of 2022		Financial instruments granted at start of 2022 Financial instruments consolidated during the						Instruments matured but uring the year not exercised		Financial instruments at end of 2022	
Name	Name of Plan	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ handed over	Price of the consolidate d shares	Net profit from shares handed over or consolidated financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
	Performance Share Plan ("PSP") 2020-2023 (Third Cycle)	267,000	267,000	0	0	133,500	133,500	3.3850	452	133,500	0	0
MR. JOSÉ MARÍA ÁLVAREZ-	Performance Share Plan ("PSP") 2021-2024 (First Cycle)	1,094,000	1,094,000	0	0	0	0	0	0	0	1,094,000	1,094,000
PALLETE LÓPEZ	Performance Share Plan (PSP) 2022-2025 (Second Cycle)	0	0	995,000	995,000	0	0	0	0	0	995,000	995,000
	Global Employee Share Plan ("GESP") 2022-2024	0	0	130	130	0	0	0	0	0	130	130
	Performance Share Plan ("PSP") 2020-2023 (Third Cycle)	198,000	198,000	0	0	99,000	99,000	3.3850	335	99,000	0	0
MR. ÁNGEL VILÁ	Performance Share Plan ("PSP") 2021-2024 (First Cycle)	819,000	819,000	0	0	0	0	0	0	0	819,000	819,000
BOIX	Performance Share Plan ("PSP") 2022-2025 (Second Cycle)	0	0	745,000	745,000	0	0	0	0	0	745,000	745,000
	Global Employee Share Plan ("GESP") 2022-2024	0	0	130	130	0	0	0	0	0	130	130



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risl
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system (thousand €)
Mr. José María Álvarez-Pallete López	132
Mr. Ángel Vilá Boix	72

	Contribution of	ver the year fro	om the company (thou	sand €)	Amount of accumulated funds (thousand €)					
	Savings systems with economic ri		Savings systems with economic r		Systems with consolidated economic rights Systems with unconsolidated economic rights					
Name	2022 Year	2021 Year	2022 Year	2021 Year	2022 Year	2021 Year	2022 Year	2021 Year		
Mr. José María Álvarez-Pallete López	132	132	541	541	1,144	1,133	9,982	10,636		
Mr. Ángel Vilá Boix	72	72	488	488	793	802	7,762	8,198		

iv) Details of other items

Name	Item	Remuneration Amount
Mr. José María Álvarez-Pallete López	Health insurance premium	6
Mr. José María Álvarez-Pallete López	Life insurance premium	75
Mr. Ángel Vilá Boix	Health insurance premium	6
Mr. Ángel Vilá Boix	Life insurance premium	59
Mr. Ángel Vilá Boix	Company vehicle	18

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

b) Remuneration of directors of the listed company for seats on the boards of other subsidiary companies:

i) Remuneration in cash (thousand euros)

Name	Fixed Remuneration	Per diem allowances	Remuneration for member ship of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total in 2022	Total in 2021
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	0	0	0	0	0	0	0	0	0	0
MR. ISIDRO FAINÉ CASAS	0	0	0	0	0	0	0	0	0	0
MR. JOSÉ MARÍA ABRIL PÉREZ	0	0	0	0	0	0	0	0	0	0
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	90	0	0	0	0	0	0	88	178	158
MR. ÁNGEL VILÁ BOIX	0	0	0	0	0	0	0	0	0	0
MR. JUAN IGNACIO CIRAC SASTURAIN	0	0	0	0	0	0	0	90	90	0
MR. PETER ERSKINE	80	0	0	0	0	0	0	0	80	63
MS. CARMEN GARCÍA DE ANDRÉS	0	0	0	0	0	0	0	0	0	0
MS. MARÍA LUISA GARCÍA BLANCO	0	0	0	0	0	0	0	88	88	51
MR. PETER LÖSCHER	119	0	0	0	0	0	0	0	119	100
MS. VERÓNICA PASCUAL BOÉ	0	0	0	0	0	0	0	60	60	0
MR. FRANCISCO JAVIER DE PAZ MANCHO	171	0	0	0	0	0	0	155	326	295
MR. FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
MS. MARÍA ROTONDO URCOLA	0	0	0	0	0	0	0	0	0	0
MS. CLAUDIA SENDER RAMÍREZ	0	0	0	0	0	0	0	128	128	38

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

		Financial instruments at start of 2022		ıments granted of 2022	Financia	l instruments co	nsolidated durin	g the year	Instruments matured but not exercised		ruments at end 2022
Name Name of Pla	No. of n instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares

iii) Long-term saving systems

	Remuneration from consolidation
Name	of rights to savings system
No data	

	Contribution ov	er the year fro	m the company (t	Amount of accumulated funds (thousand €)				
Name	Savings syste		Savings syst		Systems with Co economic		Systems with unconsolidated economic rights	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
Mr. José María Álvarez-Pallete López	0	0	0	0	161	178	0	0
Mr. Ángel Vilá Boix	0	0	0	0	22	24	0	0

iv) Details of other items

Name	Item	Remuneration Amount
No data		



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risk
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

c) Summary of remunerations (thousand €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

- Strategy and growth model
 Non-financial Information statement

Annual Corporate Governance Report 5. Annual Report on Remuneration of the Directors

6. Other information

		Remuneration a	ccrued in th	e company	Remuneration accrued in group companies						
Name	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuner ation for savings systems	Remuneration for other items	Total 2022 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	-Remuner ation for saving systems	Remuneration for other items	Total 2022 group	Total 2022 company + group
MR. JOSÉ MARÍA ÁLVAREZ- PALLETE LÓPEZ	6,122	452	132	81	6,787	0	0	0	0	0	6,787
MR. ISIDRO FAINÉ CASAS	280	0	0	0	280	0	0	0	0	0	280
MR. JOSÉ MARÍA ABRIL PÉREZ	300	0	0	0	300	0	0	0	0	0	300
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	338	0	0	0	338	178	0	0	0	178	516
MR. ÁNGEL VILÁ BOIX	4,511	335	72	83	5,001	0	0	0	0	0	5,001
MR. JUAN IGNACIO CIRAC SASTURAIN	184	0	0	0	184	90	0	0	0	90	274
MR. PETER ERSKINE	253	0	0	0	253	80	0	0	0	80	333
MS. CARMEN GARCÍA DE ANDRÉS	186	0	0	0	186	0	0	0	0	0	186
MS. MARÍA LUISA GARCÍA BLANCO	197	0	0	0	197	88	0	0	0	88	285
MR. PETER LÖSCHER	257	0	0	0	257	119	0	0	0	119	376
MS. VERÓNICA PASCUAL BOÉ	138	0	0	0	138	60	0	0	0	60	198
MR. FRANCISCO JAVIER DE PAZ MANCHO	278	0	0	0	278	326	0	0	0	326	604
MR. FRANCISCO JOSÉ RIBERAS MERA	120	0	0	0	120	0	0	0	0	0	120
MS. MARÍA ROTONDO URCOLA	162	0	0	0	162	0	0	0	0	0	162
MS. CLAUDIA SENDER RAMÍREZ	160	0	0	0	160	128	0	0	0	128	288
TOTAL	13,486	787	204	164	14,641	1,069	0	0	0	1,069	15,710

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and % annual variation										
	Year 2022	% variation 2022/2021	Year 2021	% variation 2021/2020	Year 2020	% variation 2020/2019	Year 2019	% variation 2019/2018	Year 2018		
EXECUTIVE DIRECTORS											
MR. JOSÉ MARÍA ÁLVAREZ-PALLETE LÓPEZ	6,787	-22.21	8,725	68.01	5,193	-6.21	5,537	-0.29	5,553		
MR. ÁNGEL VILÁ BOIX	5,001	-24.52	6,626 71.17 3,871		-5.45	4,094	-0.51	4,115			
EXTERNAL DIRECTORS											
MR. ISIDRO FAINÉ CASAS	280	0.00	280	0.00	280	0,00	280	0,00	280		
MR. JOSÉ MARÍA ABRIL PÉREZ	300	-0.66	302	0.67	300	0,00	300	0,00	300		
MR. JOSÉ JAVIER ECHENIQUE LANDIRÍBAR	516	4.24	495	-0.60	498	20,00	415	14,64	362		
MR. JUAN IGNACIO CIRAC SASTURAIN	274	68.10	163	14.79	142	1,43	140	-0.71	141		
MR. PETER ERSKINE	333	4.06	320	13.07	283	4,43	271	1,88	266		
MS. CARMEN GARCÍA DE ANDRÉS	186	14.11	163	-1.81	166	3,11	161	1,90	158		
MS. MARÍA LUISA GARCÍA BLANCO	285	31.94	216	31.71	164	3,80	158	54,90	102		
MR. PETER LÖSCHER	376	7.12	351	33.46	263	56,55	168	7,01	157		
MS. VERÓNICA PASCUAL BOÉ	198	40.43	141	0.71	140	0,00	0	0,00	0		
MR. FRANCISCO JAVIER DE PAZ MANCHO	604	5.59	572	1.78	562	-3.93	585	8,33	540		
MR. FRANCISCO JOSÉ RIBERAS MERA	120	0.00	120	0.00	120	0,00	120	0,00	120		
MS. MARÍA ROTONDO URCOLA	162	362.86	35	0.00	0	0,00	0	0,00	0		
MS. CLAUDIA SENDER RAMÍREZ	288	45.45	198	40.43	141	0,00	0	0,00	0		
CONSOLIDATED RESULTS OF THE COMPANY	2,960	-76	12,095	368.25	2,583	-4.97	2,718	-51.21	5,571		
AVERAGE EMPLOYEE REMUNERATION	54	-12.90	62	31.91	47	-30.88	68	33.33	51		

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3 Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

OBSERVATIONS:

- Mr. José María Álvarez-Pallete López:
- (i) The year-on-year variation in remuneration in 2022 compared to 2021 is due to the extraordinary remuneration paid in 2021. It should be noted that the variable remuneration accrued in 2022 by the Executive Chairman represents 63.6% of the total target variable remuneration initially granted. The fixed remuneration is the same as that received since 2013, which was set in his capacity as CEO, having remained unchanged after his appointment as Chairman in 2016.
- (ii) The year-on-year variation in remuneration in 2021 compared to 2020 considering ordinary remuneration, as detailed in point (i) above, is 16%, derived from the YoY performance variation associated with the Director's variable remuneration. The consolidated result of the company increased by 368% in 2021 compared to 2020.
- (iii) The 2021/2020 variation reflected in the table is determined by the Executive Chairman's proposed waiver of the first cycle of the 2018-2023 Long-Term Incentive Plan, which the Board of Directors agreed not to pay in 2020 as a gesture of responsibility following the effects of COVID-19, and the extraordinary variable remuneration received by the Executive Chairman in 2021.
- Mr. Ángel Vila Boix:
- (i) The year-on-year change in remuneration in 2022 compared to 2021 is due to the extraordinary remuneration received in 2021. It should be noted that the variable remuneration accrued in 2022 by the Chief Operating Officer represents 61.5% of the total target variable remuneration initially granted. Fixed remuneration remains unchanged from 2017.
- (ii) The year-on-year change in remuneration in 2021 compared to 2020 considering the ordinary remuneration, as detailed in point (i) above, is 15%, derived from the YoY performance variation associated with the Director's variable remuneration.
- (iii) The 2021/2020 variation reflected in the table is determined by the proposed waiver by the Chief Operating Officer of the first cycle of the 2018-2023 Long-Term Incentive Plan, which the Board of Directors agreed not to pay in 2020 as a gesture of responsibility following the effects of COVID-19, and the extraordinary variable remuneration received by the Chief Operating Officer in 2021.
- Mr. Juan Ignacio Cirac Sasturain (% variation 2022/2021): On 15 December 2021 he joined the Regulation and Institutional Affairs Committee as a member, receiving the
 corresponding remuneration from 2022. The increase in remuneration is also due to the fact that in 2022 he received the corresponding remuneration for his membership of the
 Advisory Boards of Telefónica Tech and Telefónica de Ingeniería de Seguridad.
- Ms. Carmen García de Andrés (% variation 2022/2021): On 15 December 2021, she joined the Regulation and Institutional Affairs Committee as a member, receiving the
 corresponding remuneration from 2022.
- Ms. María Luisa García Blanco (% variation 2022/2021): On 15 December 2021, she was appointed Chairwoman of the Sustainability and Quality Committee, receiving the corresponding remuneration as from 2022.
- Ms. Verónica Pascual Boé (% variation 2022/2021): The increase in remuneration is mainly due to the fact that in 2022 she received the corresponding remuneration for her membership of the Telefónica Tech Advisory Board.
- Ms. María Rotondo Urcola (% variation 2022/2021): With regard to the variation between the two financial years, it should be considered that Ms María Rotondo joined the Board of Directors as a member and as a member of the Sustainability and Quality Committee in September 2021 and, therefore, received the corresponding remuneration for these items

Consolidated Annual Report 2022 Telefónica, S. A. 541



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risk
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
 - 6. Other information

from September to December 2021, as opposed to 2022, which was received during the full financial year. Likewise, Ms María Rotondo joined the Audit and Control Committee as a member on 15 December 2021, receiving the corresponding remuneration from 2022 onwards.

- Ms. Claudia Sender Ramírez (% variation 2022/2021): With regard to the variation between the two financial years, it should be considered that Ms Claudia Sender joined the
 Advisory Board of Telefónica Hispanoamérica in June 2021 and, therefore, only received remuneration for this item from June to December 2021, compared to 2022, which was
 received during the full financial year. In addition, in 2022, Ms Claudia Sender received the corresponding remuneration for her membership of the Telefónica Tech Advisory Board.
- Average employee remuneration of Telefónica, S.A. and all of its subsidiaries: In financial year 2019, the average employee remuneration has been calculated on the basis of the personnel expenses included in the consolidated annual accounts for that year, where the cost of the Individual Suspension Plan is included. In this regard, on September 27, 2019, Telefónica España signed the 2nd Collective Bargaining Agreement for Related Companies (CEV). The present value of the Plan's payment flows, together with the updating of the estimates of the previous plan and the provision associated with the training plan, resulted in a pre-tax expense of EUR 1,732 million.

In 2021 and 2022, the average remuneration has been calculated on the basis of the personnel expenses included in the consolidated financial statements for that year. In 2021 this includes the cost of the Telefónica España Voluntary Redundancy Plan. The impact of this Plan on personnel expenses amounts to 1,382 million euros before tax.

Consolidated Annual Report 2022 Telefónica, S. A. 542



- Strategy and growth model
 Non-financial Information statement
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors

6. Other information

D. Other Information of Interest

This annual remuneration report has been approved by the Board of Directors of the company on February 22, 2023.

State whether any director has voted against or abstained from approving this report

No

- Strategy and growth model
 Non-financial Information statement
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information



6 Other information

- **6.1.** Liquidity and Capital Resources
- **6.2.** Treasury shares
- **6.3.** Events after close
- **6.4.** Average payment period of the Spanish companies
- **6.5.** Glossary of terms







- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors

• 6. Other information

6.1. Liquidity and Capital Resources

Financing

During 2022, Telefónica obtained financing (excluding the refinancing of euro commercial paper and short-term banking loans) totaling approximately 15,009 million euros of which 8,849 million euros was at the group level, 1,740 million euros were obtained by VMO2 (the joint venture in the UK with Liberty Global plc), 599 million euros were obtained by Cornerstone Telecommunications Infrastructure Limited (a joint venture of Vantage Towers AG and VMO2), 61 million euros were obtained by FiBrasil

(the joint venture in Brazil with CDPQ) and 3,760 million euros were obtained by MediaNexfibre, the joint venture formed by Liberty Global (25%), T. Infra (25%) and Infravia (50%)). Telefónica's financing activity was focused on maintaining a solid liquidity position, as well as refinancing and maintaining long debt maturities.

The main financing transactions carried out in the bond market in 2022 are as follows:

Item	Date	Maturity Date	Nominal (millions)			
			Currency	Euros	Currency of issuance	Coupon
Telefónica Emisiones, S.A.U.						
EMTN Bond	04/05/2022	07/13/2040	100	100	EUR	1.864 %
EMTN Bond (1)	05/25/2022	05/25/2031	1,000	1,000	EUR	2.592 %
Telefónica Brasil, S.A.						
Debentures (1)	07/14/2022	07/12/2027	2,000	359	BRL	1.35% CDI
Debentures (1)	07/14/2022	07/12/2025	1,500	269	BRL	1.12% CDI

(1) Debentures and sustainable bonds (See Note 29. d).

The main financing transaction carried out in the bank market in 2022 is as follows:

- On January 13, 2022, there was a maturity extension of the syndicated credit facility of Telefónica, S.A. for 5,500 million euros. The loan has two annual extension options at Telefónica, S.A. request with a maturity maximum up to 2029.
- On January 26, 2022, Colombia Telecomunicaciones S.A. E.S.P. made an early repayment of its 132 million dollars bilateral loan signed on March 24, 2020 and originally schedule to mature in 2023.
- On April 4, 2022, Telefónica Brasil, S.A. signed and drew down 212 million dollars of its bilateral loan and maturing in 2023.

- On September 26, 2022, Telefónica, S.A. signed a 150 million euros bilateral loan and maturing in 2032. At December 31, 2022 the loan was fully draw down.
- On November 16, 2022, Bluevia Fibra, S.L.U. signed a syndicated credit facility for an amount of 360 million euros and maturing in 2027. As of December 31, 2022, the loan was drawn down for 245 million euros.
- On December 23, 2022, Telefónica, S.A. signed a 125 million euros of a bilateral loan and maturing in 2032.
 There was no outstanding balance at December 31, 2022.

Availability of funds

As of December 31, 2022, Telefónica's liquidity, amounting to 21,413 million euros, includes: undrawn committed credit facilities arranged with banks for an amount of 11,737 million euros (of which 11,434 million euros maturing



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

in more than 12 months); and cash equivalents and certain current financial assets.

Additional information on sources of liquidity and undrawn lines of credit available to the Company, on liquidity risk management, on the Company's debt levels, and on capital management is provided in Notes 17, 18 and 19 to the consolidated financial statements.

Contractual commitments

Note 26 to the consolidated financial statements provides information on firm commitments giving rise to future cash outflows and associated with purchases and services received in relation to the Company's principal activity, and any low value assets and short-term leases related to the Company's activity, primarily.

Credit risk management

The Telefónica Group considers customer credit risk management as a key element to achieve its business and customer base growth targets in a sustainable way. This management approach relies on the active evaluation of the risk-reward balance within the commercial operations and on the adequate separation between the risk ownership and risk management functions.

Formal delegation of authority procedures and management practices are implemented in the different Group companies, taking into account benchmark risk management techniques but adapted to the local characteristics of each market. Commercial debtors that may cause a relevant impact on the Telefónica Group consolidated financial statements and increased risk profile products - due to customer target, term, channels or other commercial characteristics - are subject to specific management practices in order to mitigate the exposure to credit risk. These procedures include:

- Statistical and expert models for customer acquisition that are used to forecast and to manage the customer expected probability of default.
- Decision tools allowing the implementation of tailored credit strategies by product, channel, geography and type of customer.
- Continuous monitoring of the payment behavior and solvency of the customer portfolio.
- Internal and external collection processes designed to increase recovery through differentiated actions by debt age and customer profile.
- Ongoing controls over the credit risk exposure.

The customer credit risk management strategy is embedded in the day-to-day operational processes guiding both the product and services available for the different customer profile and the management practices all through the customer life-cycle.

Credit rating

At December 31, 2022, Telefónica, S.A.'s long-term issuer default rating is "BBB stable outlook" from Fitch, "BBB-stable outlook" from Standard & Poor's and "Baa3 stable outlook" from Moody's. During 2021, there have not been changes in the long-term credit ratings by any of the three agencies. Last changes in the credit ratings took place in 2020 when Standard and Poor's revised the outlook to "negative" from "stable" on April 1, 2020 and later, on November 20, 2020 downgraded the rating to "BBB - stable" from "BBB negative". On November 7, 2016 Moody's downgraded the rating to "Baa3 stable" from "Baa2 negative" and on September 5, 2016 Fitch downgraded the rating to "BBB stable" from "BBB+stable".

In 2022, measures taken to protect the credit rating included an active portfolio management through the closing of the sale of the entire share capital of Telefónica Móviles El Salvador.

Telefónica also closed various strategic deals to reinforce its business profile, such as the agreement reached between Telefónica Colombia and a Colombian company controlled by KKR, for the sale of fiber assets and for the provision of connectivity services and deployment of fiber network. And in December, the agreement with Vauban Infrastructure Partners and Crédit Agricole Assurances for the deployment and commercialization of a fiber FTTH network mainly in rural areas in Spain.

Additionally, Telefonica maintains a solid liquidity position and conservative approach to debt refinancing, as the Group took advantage of the historical low refinancing rates to extend average debt life and smooth its maturity profile in coming years.

Dividend policy

Telefónica, S.A.'s dividend policy is revised yearly based on the Group's earnings, cash generation, solvency, liquidity, flexibility to make strategic investments.

On March 2017 the Board of Directors of Telefónica, S.A. decided to define the corresponding payment periods of the dividends. Therefore, from there on, the dividend payment in the second quarter will take place in June, and the dividend payment in the fourth quarter will take place in December, in both cases on or before the third Friday of the corresponding month.

In February 2020, Telefónica announced the dividend policy for the year 2020: 0.40 euros per share payable in December 2020 (0.20 euros per share) and in June 2021 (0.20 euros per share).

In May 2020, after the corresponding analyses, it was concluded that the Company had a sufficiently healthy



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

cash position to maintain the previously announced dividends payment. However, for reasons of financial prudence in the context of the COVID-19 health crisis and in order to grant greater flexibility in regard to cash outflows and different alternatives for the shareholders, it was deemed appropriate to propose for approval of the Annual General Shareholders Meeting held on June 12, 2020 the implementation of the payment of sums to be made during this fiscal year 2020 through separate scrip dividends (the "Telefónica Flexible Dividend"), which as is known, provides all shareholders with the choice of receiving the relevant compensation in shares or in cash, at the shareholder's discretion.

The Annual General Shareholders Meeting held on June 12, 2020 approved the Proposals of the scrip dividend, which were executed in June and December 2020.

In February 2021, Telefónica announced the dividend policy for the year 2021, which consists of an amount of 0.30 euros per share, payable in December 2021 (0.15 euros per share) and in June 2022 (0.15 euros per share). The Annual General Shareholders Meeting held on April 23, 2021 approved the Proposals of the scrip dividend, which were executed in June and December, 2021.

In February 2022, Telefónica announced the dividend policy for the year 2022, which consists of an amount of 0.30 euros per share in cash, payable in December 2022 (0.15 euros per share) and in June 2023 (0.15 euros per share).

The Annual General Shareholders Meeting held on April 8, 2022 approved the Proposals of the scrip dividend executed in June 2021, and the cash dividend paid in December, 2022.

For the payment in June 2023, the adoption of the corresponding corporate resolutions will be proposed to the Annual General Meeting to be held in 2023.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

6.2. Treasury shares

Telefónica has performed, and may consider performing, transactions with treasury shares and financial instruments or contracts that confer the right to acquire treasury shares or assets whose underlying is Company shares

Treasury share transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- · Honoring previous legitimate commitments assumed.
- Covering requirements for shares to allocate to employees and management under stock option plans.
- Other purposes in accordance with prevailing legislation. In the past, treasury shares purchased on the stock market were exchanged for other shares-securities (as in the case of preferred capital securities), swapped for stakes in other companies (e.g. the share exchange with KPN) acquired to reduce the number of shares in circulation (by redeeming the shares acquired), thereby boosting earnings per share, the delivery of treasury shares in exchange for the acquisition of a stake in another company (such as the agreement with Prosegur Compañía de Seguridad, S.A.).

Treasury share transactions will not be performed in any event based on privileged information or in order to intervene in free price formation. In particular, any of the conduct referred to in Articles 83.ter.1 of the Spanish Securities Market Law and 2 of Royal Decree 1333/2005 of November 11 implementing the Spanish Securities Market Law, with regards to market abuse will be avoided.

For more information see Note 17.h) "Treasury share instruments" of the Consolidated Annual Accounts for the year ended December 31, 2022.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- Annual Corporate Governance Report
 Annual Report on Remuneration of the Directors
- 6. Other information

6.3. Events after the reporting period

Information concerning events after the reporting period is provided in Note 31 of the Consolidated Annual Accounts for the year ended December 31, 2022.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors

• 6. Other information

6.4. Average payment period of the Spanish companies

Information concerning average payment period of the Spanish companies is provided in Note 22, "Information on average payment period to suppliers. Third additional provision, "Information requirement" of Law 15/2010 of July 5." of the Consolidated Annual Accounts for the year ended December 31, 2022.

- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors

• 6. Other information

6.5. Glossary of terms

Below are definitions of certain technical terms used in this Annual Report:

- **"5G"** is a technology succeeding the mobile technology called 4G. The aim is to make the navigation experience and Internet downloads more agile.
- "Access" refers to a connection to any of the telecommunications services offered by Telefónica. A single fixed customer may contract for multiple services, and Telefónica believes that it is more useful to count the number of accesses a customer has contracted for, rather than to merely count the number of its customers. For example, a customer that has fixed line telephony service and broadband service is counted as two accesses rather than as one customer.
- "ARPU" is total mobile service revenues during the relevant period divided by the average number of retail accesses (based on the beginning and the month-end number of retail accesses during such period), divided by the number of months in such period.
- "Artificial Intelligence" is intelligent tasks carried out by machines.
- "AWS" or Amazon Web Services refers to Amazon's service platform offering data base storage, content delivery and other functionalities that can help a business to grow. It is also more secure than a physical server.
- "B2B" or business to business is the business segment.
- "B2C" or business to customer is the residential segment.
- **"Bundle"** refers to a combination of products that combine fixed services (wirelines, broadband and television) and mobile services.
- **"CATV"** or community antenna television is a system of delivering television programming to consumers via radio frequency (RF) signals transmitted through coaxial cables, or in more recent systems, via light pulses through fiberoptic cables.

- **"Churn"** is the percentage of disconnections over the average customer base in a given period, divided by the number of months in such period.
- **"Cloud computing"** is a service whereby shared resources, software and information are provided to computers and other devices as a utility over a network (typically, the Internet).
- "Cloud Phone" is an application that allows the transfer of files between two smartphones in a simple way.
- "Commercial activity" includes the addition of new lines, replacement of handsets, migrations and disconnections.
- "Connected car" is a vehicle equipped with Internet access and generally through a local wireless network or satellite.
- "Convergent" refers to the offer of a fixed service together with a mobile service.
- "Data ARPU" is data revenues during the relevant period divided by the average number of retail accesses (based on the beginning and the month-end number of retail accesses during such period), divided by the number of months in such period.
- "Data revenues" include revenues from mobile data services such as mobile connectivity and mobile Internet, premium messaging, downloading ringtones and logos, mobile mail and SMS/MMS.
- "Data traffic" includes all traffic from Internet access, messaging (SMS, MMS) and connectivity services over Telefónica's network.
- "DTH (Direct-To-Home)" is a technology used for the provision of TV services.
- "Fixed telephony accesses" includes public switched telephone network (PSTN) lines (including public use telephony), integrated services digital network (ISDN) lines and circuits, "fixed wireless" and Voice over IP accesses.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

"FTRs" or Fixed termination rates is an established fixed network tariff that applies when a customer makes a call to someone in a network operated by another operator.

"FTTH" or Fiber to Home is a telecommunications technology that consists of the use of fiber optic cabling and optical distribution systems for the provision of Internet services, Telephony IP and Television (IPTV) to homes, businesses and companies.

"FTTx" is a generic term for any broadband network architecture that uses optical fiber to replace all or part of the metal local loop.

"Gbps" means Gigabytes per second.

"GHz" means gigahertz.

"ICT" or information communication technology is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.

"Interconnection revenues" means revenues received from other operators which use Telefónica's networks to connect to or finish their calls and SMS or to connect to their customers.

"Internet and data accesses", "Fixed broadband accesses" or "FBB accesses" include broadband accesses (including retail asymmetrical digital subscriber line (ADSL), very high bit-rate digital subscriber line (VDSL), satellite, fiber optic and circuits over 2 Mbps), narrowband accesses (Internet service through the PSTN lines) and the remaining non-broadband final customer circuits. Internet and data accesses also include "Naked ADSL", which allows customers to subscribe for a broadband connection without a monthly fixed line fee.

"IoT" or Internet of Things refers to technologies that allow both mobile and wired systems to communicate with other devices with the same capability.

"IPTV" or Internet Protocol Television refers to distribution systems for television subscription signals or video using broadband connections over the IP protocol.

"ISDN" or Integrated Services Digital Network is a format commonly used for transmitting information through a digital high speed connection.

"Local loop" means the physical circuit connecting the network termination point at the subscriber's premises to the main distribution frame or equivalent facility in the fixed public telephone network.

"LTE" or Long-Term Evolution is a 4G mobile access technology.

"Market share" is the percentage ratio of the number of final accesses over the existing total market in an operating area.

"Mb" means Megabytes.

"MHz" means megahertz.

"MMS" or Multimedia Messaging Service is a standard messaging system allowing mobile phones to send and receive multimedia content, including sound, video and photos.

"Mobile accesses" include accesses to the mobile network for voice and/or data services (including connectivity). Mobile accesses are categorized into contract, prepay and IoT accesses.

"Mobile broadband" includes Mobile Internet (Internet access from devices also used to make voice calls such as smartphones), and Mobile Connectivity (Internet access from devices that complement fixed broadband, such as PC Cards/dongles, which enable large amounts of data to be downloaded on the move).

"MTR" or mobile termination rate is an established mobile network tariff that applies when a customer makes a call to someone in a network operated by another operator.

"MVNO" or mobile virtual network operator is a mobile operator that provides mobile services through another mobile operator. An MVNO pays a determined tariff to such mobile network operator for using the infrastructure to facilitate coverage to its customers.

"Net adds/Net loss" is the difference between the customer base as of the end of a certain period compared to December 31 of the prior year.

"OTT services" or over the top services means services provided through the Internet (such as television and video streaming).

"Pay TV" includes cable TV, direct to home satellite TV (DTH) and IPTV.

"p.p." means percentage points.

"PSTN" is Public Switched Telephone Network.

"Revenues" means net sales and revenues from rendering of services.

"Service revenues" are total revenues minus mobile handset sales. Service revenues are mainly related to telecommunication services, especially voice- and data revenues (SMS and data traffic download and upload revenues) consumed by Telefónica's customers.

"SIM" means subscriber identity module, a removable intelligent card used in mobile handsets, USB modems, etc. to identify the user in the network.



- 1. Strategy and growth model
- 2. Non-financial Information statement
- 3. Risks
- 4. Annual Corporate Governance Report
- 5. Annual Report on Remuneration of the Directors
- 6. Other information

"Smart Wi-Fi" is an application in which users can control their Wi-Fi network and the devices connected to it from their mobile.

"SMS" means short messaging service.

"STB (Set-top box)" is a device that converts a digital television signal to analogue for viewing on a conventional set, or that enables cable or satellite television to be viewed

"Tbps" means terabytes per second.

"Tracker" is a special server which contains the information needed for users to connect with other users.

"UBB" or **Ultra Broadband** is the fiber-to-the-premise broadband which is capable of giving a minimum download speed of 100 Mbps and a minimum upload speed of 50 Mbps.

"Voice traffic" means voice minutes used by Telefónica's customers over a given period, both outbound and inbound.

"VoIP" means voice over Internet protocol.

"VPN" or Virtual Private Network extends a private network across a public network and enables users to send and receive data across shared or public network.

"Wholesale accesses" means accesses Telefónica provides to other companies, who then sell services over such accesses to their residential and corporate clients.



Telefónica, S.A.

Independent reasonable assurance report on the design and effectiveness of the internal control over financial reporting (ICFR)



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent reasonable assurance report on the design and effectiveness of the internal control over financial reporting (ICFR)

To the Board of Directors of Telefónica, S.A.:

We have carried out a reasonable assurance report of the design and effectiveness of the Internal Control over Financial Reporting (hereinafter, ICFR) and the description of it that is included in the attached Report that forms part of the corresponding section of the Annual Corporate Governance Report of the Directors Report accompanying the consolidated financial statements of Telefónica, S.A., and its subsidiaries (hereinafter, the Telefónica Group) as at December 31, 2022. This system is based on the criteria and policies defined by the Telefónica Group in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control-Integrated Framework" report.

An Internal Control over Financial Reporting is a process designed to provide reasonable assurance over the reliability of financial information in accordance with the applicable financial reporting framework and includes those policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it and that they are made only in accordance with established authorizations; and (iii) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sales of the Group's assets that could have material effect on the financial information.

Inherent Limitations

In this regard, it should be borne in mind that, given the inherent limitations of any Internal Control over Financial Reporting, regardless of the quality of the design and operation of the system, it can only allow reasonable, but not absolute security, in relation to the objectives it pursues, which may lead to errors, irregularities or fraud that may not be detected. On the other hand, the projection to future periods of the evaluation of internal control is subject to risks such that said internal control being inadequate as a result of future changes in the applicable conditions, or that in the future the level of compliance of the established policies or procedures may be reduced.

Director's responsibility

The Directors of Telefónica, S.A. are responsible for taking the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate Internal Control over Financial Reporting, as well as the evaluation of its effectiveness, the development of improvements to that system and the preparation and establishment of the content of the information relating to the ICFR attached.



Our Responsability

Our responsibility is to issue a reasonable assurance report on the design and effectiveness of the Telefónica Group Internal Control over Financial Reporting, based on the work we have performed and on the evidence we have obtained. We have performed our reasonable assurance engagement in accordance with "International Standard on Assurance Engagements 3000 (ISAE 3000)" (Revised), "Assurance Engagements other than Auditing or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

A reasonable assurance report includes the understanding of the Internal Control over Financial Reporting, assessing the risk of material weaknesses in the internal control, that the controls are not properly designed or they do not operate effectively, the execution of tests and evaluations on the design and effective implementation of this ICFR, based on our professional judgment, and the performance of such other procedures as may be deemed necessary.

We believe that the evidence we have obtained provides a sufficient and adequate basis for our opinion.

Our Independence and Quality Control

We have complied with the independence requirements and other ethical requirements of the International Accounting Professionals Code of Ethics (included in the International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behaviour.

Our firm applies the "International Standard on Quality Control 1 (ISQC 1)" and maintains an exhaustive qualitative control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory provisions.

Opinion

In our opinion, the Telefónica Group maintained, as at December 31, 2022, in all material respects, an effective Internal Control over Financial Reporting for the period ended at December 31, 2022, which is based on the criteria and the policies defined by the Telefónica Group's management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control-Integrated Framework" report.

In addition, the attached description of the ICFR Report as at December 31, 2022 has been prepared, in all material respects, in accordance with the requirements established by article 540 of the Consolidated Text of the Capital Companies Act and with the Circular 5/2013 of June 12, 2013 of the CNMV, the most recent being Circular 3/2021 of September 28, for purposes of the description of the ICFR requirements in the Annual Corporate Governance Reports.

This work does not constitute an audit nor is it subject to the regulations governing the audit activity in force in Spain, so we do not express any audit opinion in the terms provided in the aforementioned regulations.

PricewaterhouseCoopers Auditores, S.L.

Vanesa González Prieto

February 23, 2023