



Telefónica's Human Rights and Environmental Due Diligence Process 2023

In accordance with our ethical standards, Telefónica holds a strong commitment to upholding human rights and protecting the environment. Guided by the UN Guiding Principles and recognising the significance of our impact on the communities and ecosystems in which we operate, we diligently strive to safeguard human rights and protect the environment at all stages of our value chain.

Our commitment to responsible business practices is embodied through our **Responsible Business Principles**. These principles permeate our day-to-day operations and are translated into various policies and processes that act as catalysts for sustainability at every level of our organisation and value chain.

It is our responsibility to actively **promote and uphold all human rights with a particular focus on privacy, freedom of expression and information, equality, working conditions, health and safety, and environmental stewardship**. To fulfil this responsibility, our Due Diligence process considers the context and distinctive aspects inherent to our business allowing us to optimise positive impacts on human rights and the environment while mitigating any potential adverse ones.

As part of our business conduct and our corporate sustainability Due Diligence process, we periodically undertake global, local and thematic assessments to analyse the impacts generated by our business activities. In alignment with this commitment, this report provides a clear and concise overview of our most recent **Global Impact Assessment and Due Diligence process**. Additionally, this report highlights several key initiatives that further our commitment to maintaining a responsible business conduct and fostering a positive impact on both human rights and the environment.

Acknowledging the numerous challenges, we face; we remain resolute in our commitment to drive continuous improvements and sustainable aspects throughout our business. Drawing upon our strength and business purpose, we will continue to persistently work to ensure our business and the ecosystem around us embodies sustainability and responsibility as core principles, thereby contributing to a better future.

Thanks for helping us transition to a more sustainable world.

Elena Valderrábano
Global Chief Sustainability (ESG) Officer



About us

As a leading international telecommunications company, we are at the forefront of driving innovation and unlocking new opportunities for our society to thrive in the digital age. **With over 383 million access**, we have an international presence in **Europe and Latin America** with over **100,000 employees** and offer **connectivity services** and **digital solutions** in more than **170 countries**.

About this report

This report is based on our Human Rights and Environmental **Due Diligence process**, and elaborates on our most recent **Global Impact Assessment: key topics 2023**. This impact assessment is carried out taking into account all the markets we operate in. This Impact Assessment has been made taking into account the markets of: Spain, Germany and Brazil, also incorporating the main conclusions of the "Impact Assessment on Human Rights in Latin America Analysis and Prioritization of Human Rights in Latin America". The Global Impact Assessment is a key phase in our Due Diligence process and a crucial tool to ensuring our responsible business conduct.



The international and national legal framework regarding corporate sustainability due diligence requirements (see the figure) has been considered to guarantee a full alignment of our policies and processes with sustainability standards.

Corporate sustainability Due Diligence regulatory framework

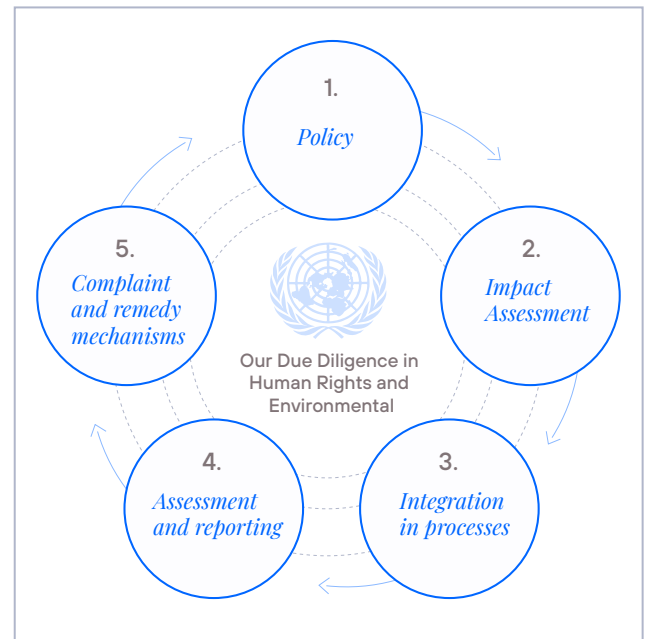


Our Human Rights and Environmental Due Diligence Process and Governance

As the world grapples with pressing global challenges, we recognise our responsibility to foster a positive and sustainable growth in our society and we strictly commit to the protection of human rights and the environment.

As part of our commitment, we have developed a sustainability Due Diligence process in line with the **UN Guiding Principles and OECD Guidelines**. This Due Diligence process is reflected in our Global Human Rights Policy and allows us to identify potential and actual adverse impacts that may be directly or indirectly linked to Telefónica's business activity. Once these impacts have been identified, we strive to implement the necessary measures in order prevent and mitigate the realisation of these impacts. In the case of their materialisation, and if needed, remediate them.

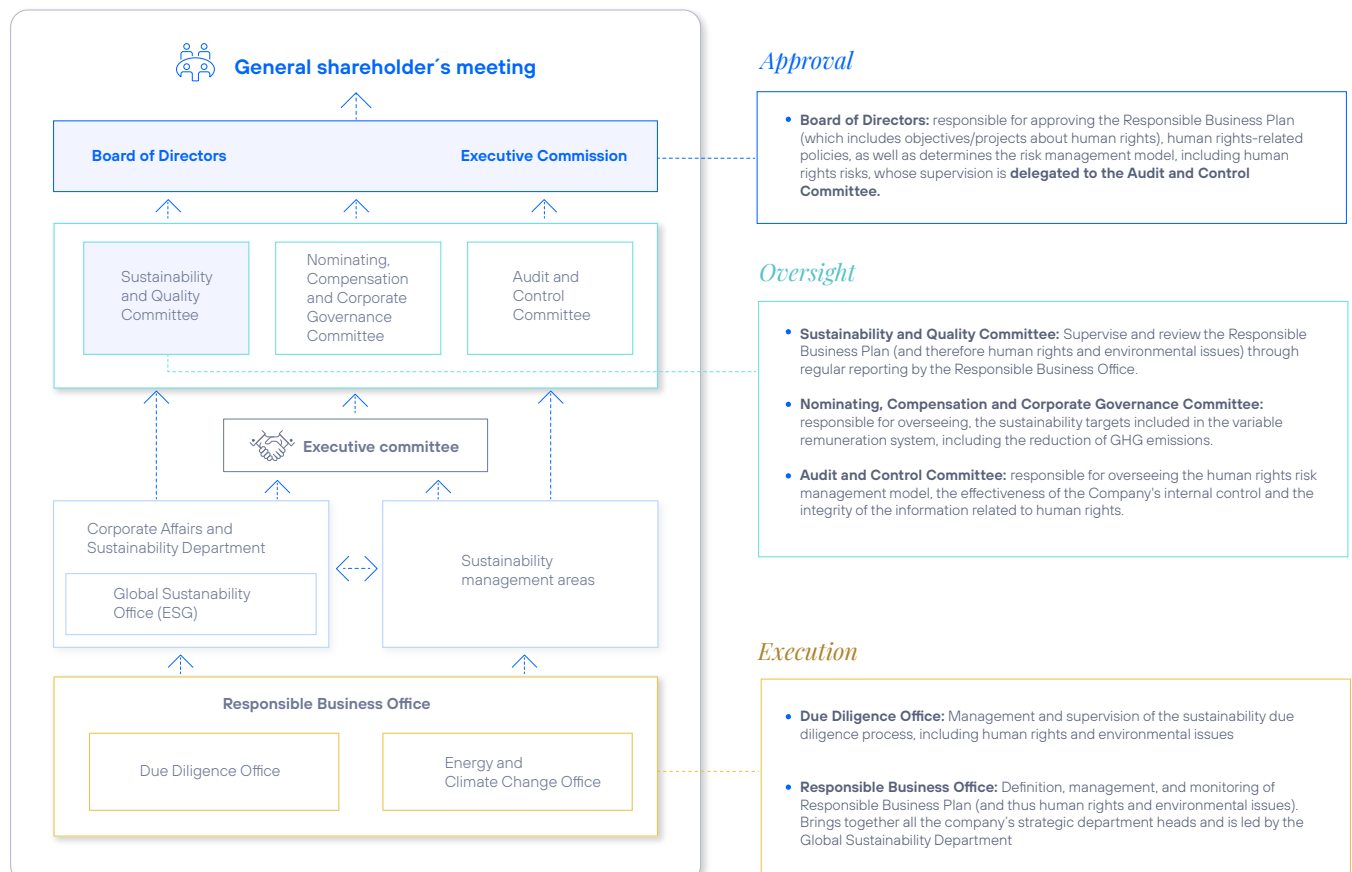
Our commitment and Due Diligence process is embodied in our **Responsible Business Principles, Global Human Rights Policy**, and **Global Environmental Policy**, which have been approved by our Board of Directors.



Our Due Diligence process is shown in this figure.

To ensure our commitment to human rights and the environment permeates our day-to-day business at all levels, we have defined a **governance model led by the Board of Directors** shown in this figure.

Human Rights and Environmental Due Diligence Governance Model



Assessing and implementing our Due Diligence process

Impact assessments lie at the heart of our Due Diligence process, as they enable us to gain comprehensive insights into how we can effectively manage and mitigate potential impacts throughout our entire value chain.

Impact assessments have a **global scope** and incorporate a holistic **Due Diligence process** analysis in **all our operations and markets*** in close collaboration with **internal and external stakeholders**. The **main findings** and **results** of these assessments are then **integrated into our policies and processes** to ensure the continuous **update** and **improvement** of our Sustainability Due Diligence process.

Global Impact Assessment: key topics 2023

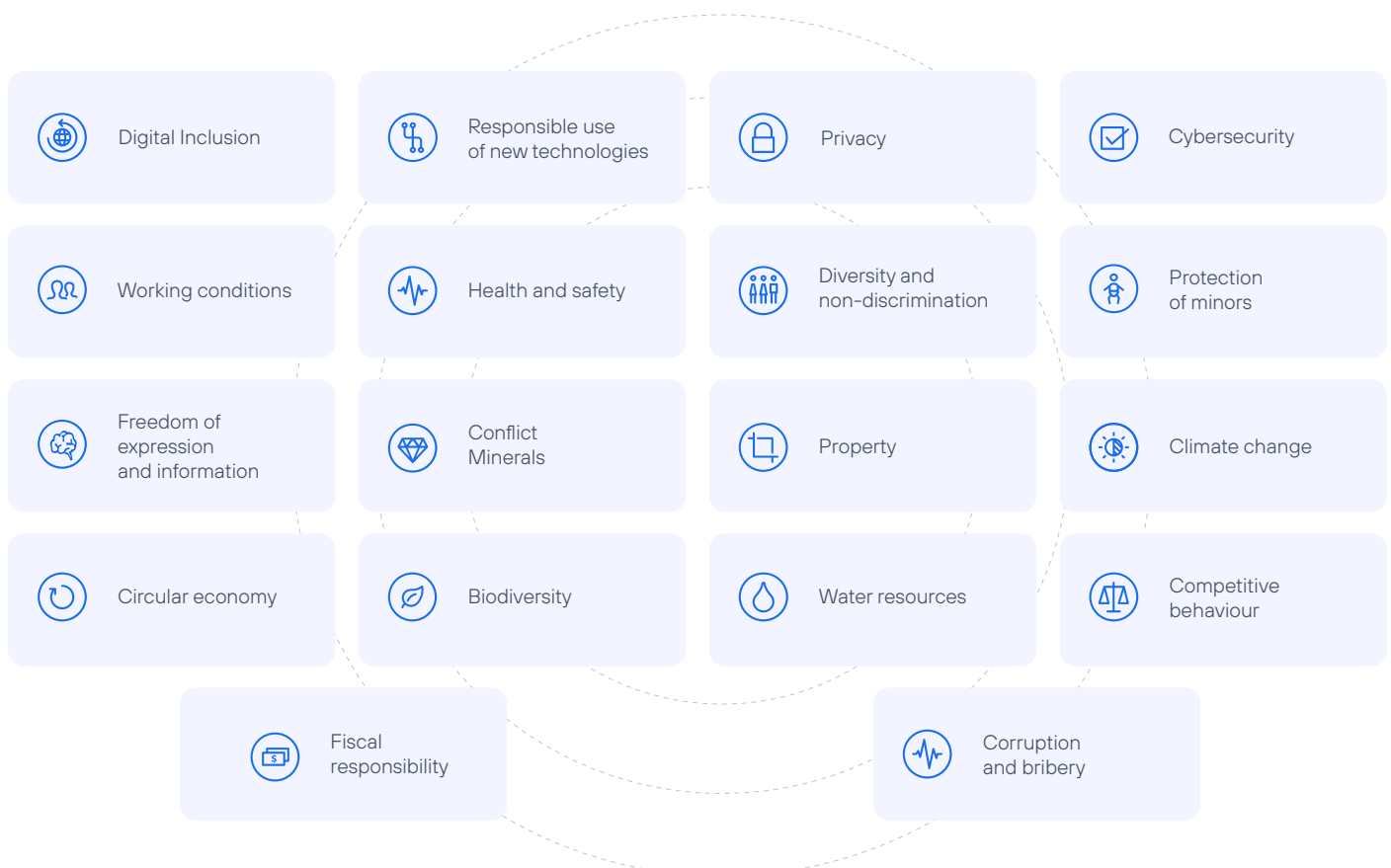
Aligned with the UN Guiding Principles, we conduct continuous impact assessments at global, local and thematic level to evaluate potential and actual adverse impacts in our value chain. **The Global Impact Assessment: key topics 2023 was conducted** with the

collaboration of Deloitte, as a third party expert. The assessment was conducted to evaluate our corporate sustainability Due Diligence process in general and our alignment with international and national legal requirements in particular, through the following steps:

- **Update** the **identification/prioritisation** of potential human rights/environmental impacts in our value chain.
- **Analysis** of existing Due Diligence policies and processes and **identification** of improvement opportunities.
- **Proposal** of **recommendations** for further improvement based on analysis carried out.

The key main findings of the Global Impact Assessment: key topics 2023 were the following:

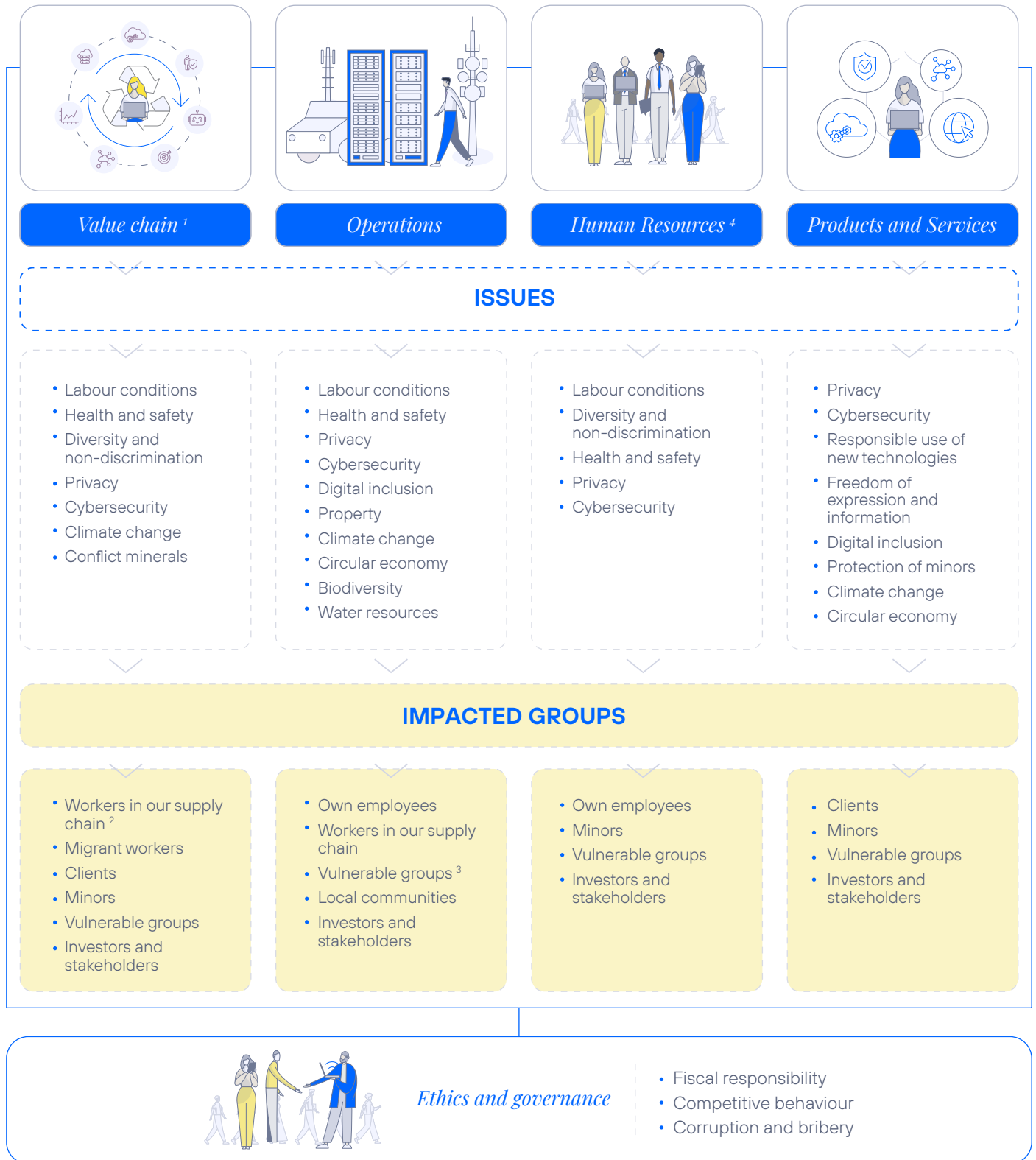
1. Resulting from the analysis, **18 human rights and environmental issues** were identified as salient issues, directly or indirectly linked to our business activity throughout our entire value chain.



* This Global Impact Assessment: key topics 2023 has been made taking into account the markets of: Spain, Germany and Brazil, also incorporating the main conclusions of the "Impact Assessment on Human Rights in Latin America Analysis and Prioritization of Human Rights in Latin America".

2.

The **18 identified salient issues** were located and analysed in light of **five main areas**, which comprise our entire value chain (ethics and governance, value chain, operations, human resources, and products and services), taking into consideration conversations held with **external and internal stakeholders**.



¹ Including both upstream and downstream. Upstream includes the relation to suppliers and sub-suppliers. Downstream includes the relation to clients, but also M&A and Joint Ventures etc.

² Including child/forced labour, human trafficking etc.

³ Vulnerable groups take into account indigenous communities, women, seniors, ethnic minorities, persons with disabilities and other groups potentially facing discrimination.

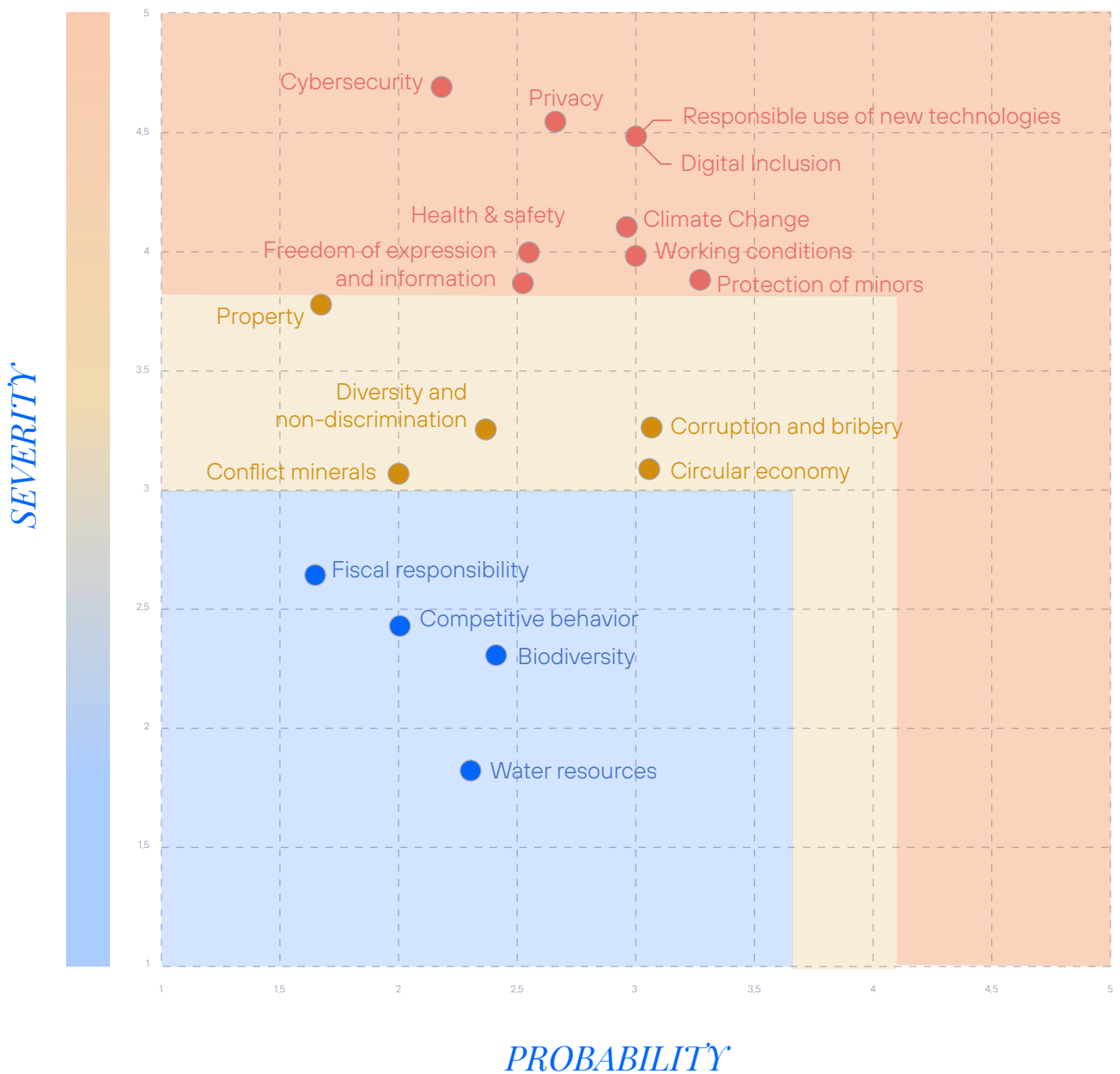
⁴ Including freedom of association/right to collective bargaining, etc. Including equal remuneration etc.

3.

The **18 salient issues were prioritised** based on a **probability** (x) and **severity** (y) matrix shown below, in line with UN Guiding Principles and existing/emerging Due Diligence legislation.



Global Impact Assessment: key topics 2023



Our Due Diligence process Analysis

An essential component of our impact assessments is analysing our existing policies and processes that make up our human rights and environmental Due Diligence process. The following key points were distinguished throughout our Due Diligence process:



Best practice cases

The **2023 Global Impact Assessment** identified 18 topics related to **human rights and the environment**, which we impact either directly or indirectly through our business activities or value chain. These topics are grouped into five key areas that are critical to our operations



Digital Inclusion

Broadband connectivity

- A significant portion of our sustainable funds (€2.8 billion up to 2022) has been allocated to bringing **broadband connectivity to unconnected/underserved rural areas** as a way to help close the digital divide. This contributes to our objective of achieving 90-97% mobile broadband coverage of the rural population in our main markets by 2024.
- Bluevía Fibra is network operator offering wholesale fibre-to-the-home (FTTH) and other connectivity services in rural areas within Spain.



Responsible use of new technologies

Responsibility by Design initiative

- In aiming to protect **digital rights** and promote a **responsible and accessible use** of new technologies have implemented the **Responsibility by Design initiative**.
 - This initiative is used as an internal assessment framework to ensure **ethical and sustainability principles** are applied from the initial design and development of a new product or service (P&S) to the delivery to the client.
- #### Artificial Intelligence
- We have a dual approach to AI: mitigating risks, building citizens' trust and ensuring their health, safety and rights, while promoting innovation and the adoption of technology.
 - Telefónica as one of the first companies to have ethical AI guidelines.



Protection of minors

Movistar Plus+ initiatives

- Given the increasing intensive use of audio-visual content by minors, we have a responsibility to ensure that these technologies foster a safe digital environment for minors.
- As part of our commitment to making the internet a safer place for minors we have created a **Movistar Plus+ Minor Profile** to be used by minors of up to 12 years of age to ensure a secure technological environment within the Movistar Plus+ application.
- Furthermore, we have developed a **Parental PIN and a Purchase PIN** as parental controls to allow the customer the possibility to block channels and on-demand content to protect minors from potentially inappropriate content.



Digital Rights

Transparency Centre

- In our efforts to be transparent in the protection of our customers' digital rights, we have created an online **Transparency Centre**. This centre allows users to find all the information related to the processing and protection of their personal data.
- Furthermore, the Transparency Centre publishes information and reports on **privacy, cybersecurity, and freedom of expression-related issues** to help everyone to understand the intricacies of these fundamental digital rights.

Ranking Digital Rights (RDR)

- **Ranking Digital Rights** is an independent research program that assesses and ranks the biggest ICT companies around the world on **human and digital rights** issues.
- As a sign of our progress on **privacy, freedom of expression** as well as **cybersecurity** in 2022, we reaffirmed our **leadership for third year in a row** among all global telecommunications companies evaluated.



Social and environmental standards in the supply chain

Joint Alliance for CSR and supplier audits and engagement

- In our efforts to responsibly manage our supply chain, we join efforts with other telecoms operators in the Joint Alliance for CSR (JAC) whose purpose is to drive sustainable practices across the ICT value chain.
- As part of our JAC membership we undertake on-site audits, corrective actions plans and improvement roadmaps for common direct suppliers (Tier 1) and beyond (Tier 2 and 3...).

Scope 3 - Science Based Targets (SBTs) commitment

- Supply chain emissions make up **64%** of our total **Scope 3 emissions**. When delving deeper into our Scope 3 emissions, **90%** of these emissions are attributed to **73 suppliers**.
- As part of our commitment to reducing our emission, we have required these **73 suppliers to commit** to the initiative Science-Based Targets and **validate** their commitments in a set time frame.

Our commitment to sustainability

As a telecommunications company, we recognise the transformative power of technology on both society and the environment.

Driven by this premise, the **safeguarding** and **protection of human rights** and the environment are at the core of how we conduct business.

As such, we are proactively pursuing initiatives to foster both a more **inclusive society**, and a **greener future** through **new technologies** and **digitalisation**.



Help society thrive

Promoting economic and social progress based on digitalisation, leaving no one behind.



Build a greener future

Taking advantage of the power of digitalisation to curb climate change.



Lead by example

Maintaining strict levels of governance oversight in order to build trust.

