



3.

Economic
contribution

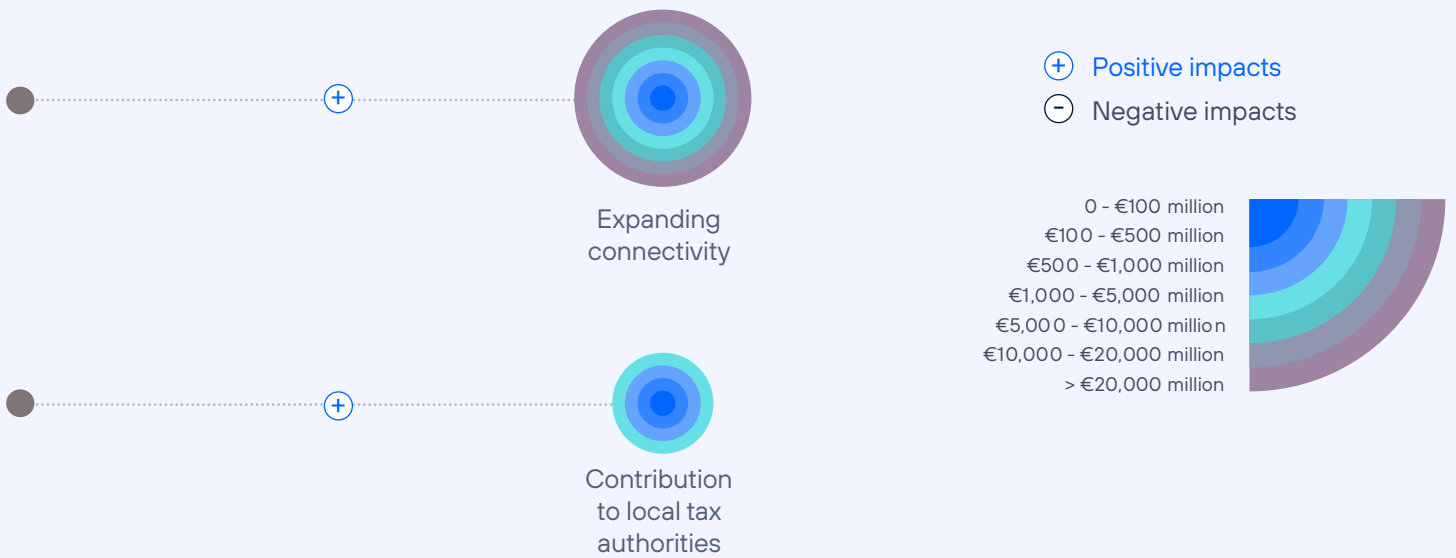
By offering a quality service and supporting local industry, Telefónica promotes social and economic development.

This section takes into account the economic value generated directly or indirectly by our activities and investments in the main countries in which we operate. In addition, we measure the externalities generated through

taxes incurred and those that contribute to the creation of services to society by public administrations.

The material issues included in this block are directly related to:

- Management of the supply chain.
- Ethical conduct and compliance.
- Value proposition.



€ We estimate that Telefónica's economic contribution is equivalent to **€48 billion**.



Our company is part of a strategic industry and we contribute to the economic development of the countries in which we are present. Both directly, through our business activity and job creation, and indirectly, through our impact as a catalyst across our supply chain and for other industries that we help to make progress and adapt to the needs of an increasingly interconnected market.

Beyond our direct contribution to regional economies, we should also highlight the value of the installation of our telecommunications infrastructures, the development of broadband, the deployment of connectivity and the digitalisation of the productive and business fabric. Because of all this, Telefónica works to ensure that all individuals and companies can have access to the economic benefits of the new digital revolution.

In addition, at Telefónica we promote inclusive connectivity to provide digitalisation to all people and companies. In particular, by expanding connectivity we can address socio-economic inequality by improving access to resources, knowledge and opportunities.

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3.1 Expanding connectivity

At Telefónica we contribute to the economic growth of the areas in which we operate primarily through the connectivity and communications services we offer.

Thanks to investments in communications infrastructure and telecommunications services operations, we create added value in the societies in which we are present.

In order to strengthen our positive impact on our supply chain and local economies, approximately 83% of our total procurement volume, equivalent to €22 billion, goes to local suppliers. Some 8,526 suppliers have been awarded contracts, of which 57% are small and

medium-sized enterprises. By doing so, we foster the digital transformation of local economies and create job opportunities.

Telecommunications play a major role in many of the key sectors of the domestic economy, including health, education, transport, business logistics, manufacturing, agriculture, energy and the media ^[6].

In this regard, we have quantified the direct and indirect impacts that our activities had on the gross domestic product (GDP) of the main countries in which we provide telecommunications services in 2022.



Calculation

We estimate the direct, indirect and induced impact of our economic activity, expenditure, investment and jobs created through the use of input-output matrices and macroeconomic variables from domestic statistical agencies. *



Indicators

- Telefónica's economic and financial data (revenues, personnel expenses, OIBDA, investments, employees, supply chain). ^[7]
- Input-output tables from OECD and national agencies.
- Domestic macroeconomic variables.

SDGs



Stakeholders



Customers



Employees



Society



Partners and suppliers



Government entities



For every euro of gross operating margin we obtained in 2022, we generated the equivalent of €3.60 that contributed to the GDP of the main countries in which we are present.

*The magnitude of this impact has been validated through a methodology that draws on articles and research published by renowned institutions. On the one hand, the impact generated by the service offered to Telefónica's customers has been calculated using the methodology offered by the International Telecommunication Union (2018), which suggests that there is a link between higher service penetration (fixed and mobile broadband) and increases in GDP per capita. On the other hand, we have used PwC's estimates of the total impact of 5G in various regions of the world.



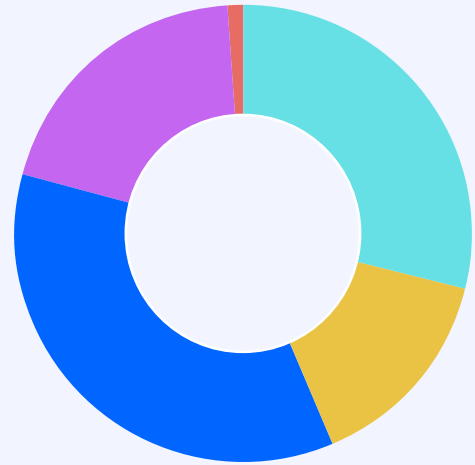
3.2 Contribution to local tax authorities

At Telefónica we promote the well-being of the regions in which we operate by supporting local economies through corporation taxes and other specific contributions.

To calculate this impact, we quantify our contribution to local tax authorities through the corporation taxes we pay and other tax contributions, such as fees (for the use of the public domain, for the financing of the radio and television corporation), local taxes and social security payments, as well as other similar contributions in different countries.

Taxes help to support public spending to provide essential infrastructure for citizens. As an example, our tax contribution in Spain for 2022 was equivalent to the funding needed to build 11 hospitals ^[8].

Tax contribution by geography



- Spain
- Hispam
- Brazil
- Germany
- Other



Calculation

Taxes incurred by Telefónica Group companies are added together, excluding taxes collected. This is because taxes incurred are levied on the Company's activity and can therefore directly support public finances.



Indicators

- Taxes incurred. ^[7]

SDGs



Stakeholders



For every €100 of turnover, we pay €19 in taxes (€6 in taxes incurred and €13 collected).

