

Chairman's Letter



In 2024, we are celebrating our centenary as a powerful driver of value to society and our shareholders. Although, we are facing complex and uncertain times, tremendous opportunities related to connectivity and digitalisation await. Telefónica is ready.

We are witnessing the fourth industrial revolution, a revolution in which telecommunication providers have a critical role to play. Technology must be used "to make the world more human by connecting lives." This is exactly Telefónica's mission.

Our centenary serves to remind us of our unique legacy and vocation of service and commitment, a vocation that drives us to strengthen our business from both a financial and non-financial point of view. This is because for Telefónica, sustainability means thinking about society and the planet and orienting the business to be part of the solution to the challenges facing humanity. Equally, being

a sustainable company is critical for the future of our business.

We have therefore reaffirmed our alignment with the principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs). Thanks to our business activity, in 2023 we generated over €49 billion in Gross Domestic Product (GDP) in our major markets and more than 10 jobs are created for every employee in the Company. Over recent years, we have consistently demonstrated an annual socioeconomic contribution, aligned with the SDGs of around €100 billion.

Reflecting on what we have achieved during the past year gives us cause for optimism. In addition to announcing a new strategic plan, GPS (Growth, Profit and Sustainability), we met our economic targets and made progress on ESG aspects in order to **build a greener future, help society thrive and lead by example** with the aim of:

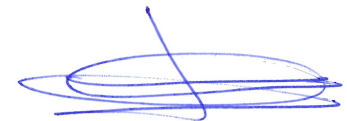
- **Accelerating the green transition:** our Climate Action Plan is our roadmap for reaching net zero emissions by 2040, becoming more circular and helping our customers decarbonise thanks to our connectivity and Eco Smart digital solutions. Since 2015 we have reduced our energy consumption by 89% per unit of traffic and now all of our electricity consumption in Europe, Brazil, Chile and Peru comes from renewable sources. This has enabled us to reduce Scope 1, 2 & 3 emissions by 51% over the last eight years.
- **Ensuring progress and opportunities for all:** as well as connecting more people and businesses every day, we promote accessibility, and digital skills help us to improve the employability of both our employees and the most vulnerable members of society. Only trained, diverse and motivated talent can make the most of digitalisation. We focus on our customers and provide them with solutions that allow them to continue to grow by leveraging the possibilities offered by the digital era. This has been so successful that our NPS (Net Promoter Score) has increased by over 10 points since 2017.
- **Building trust through an ethical and exemplary approach:** we strive to maintain high standards of governance, security, privacy and transparency. Our Board is more diverse with 40% female Directors and a large majority of independents. Last year, we published the first report on our environmental and Human Rights Due Diligence process in line with future requirements and we are ready to align ourselves with new regulations such as the Corporate Sustainability Reporting Directive (CSRD).

In this new era, Telefónica is uniquely positioned to bring together the best that technology and people have to offer. In this spirit we have raised our ambitions by **updating several ESG targets**. We will reduce operational emissions (Scope 1+2) by 90% globally by 2030 (-81% since 2015), we will have 37% of our executive positions filled by women by 2027 (32.8% in 2023) and around 40% of our financing activity will meet sustainable criteria by 2026 (33.6% at the end of 2023).

In 2023 we generated over €49 billion in Gross Domestic Product (GDP) in our major markets.

These goals join the other important targets we had already outlined as part of our roadmap, namely to reduce Scope 3 emissions and, to ensure that more people have access to broadband telecommunications networks in all regions, urban and rural and to foster sustainability among our key suppliers.

Looking forward, our GPS plan, backed by our principles of integrity, commitment and transparency, will allow us to continue to deliver value. Here's to the next 100 years.



José María Álvarez-Pallete
Chairman of Telefónica