Helping society thrive

2.5. Human capital

Key points

104,132
employees globally in 2023, 99% of them on permanent contracts.

76 points
eNPS or level of commitment from our employees, seven points higher than in 2022 and a record score.

95%
of our professionals reported that their work has purpose and meaning in the employee survey.

2.5.1. Vision

Our employees are crucial in bringing to fruition our new strategic plan: Growth, Profitability and Sustainability (GPS). This program raises our level of ambition and calls for a shift in culture at all levels.

The need for renewal is heightened by the fact that we are on the verge of celebrating our centenary, with our sights set on building the Telefónica of the next 100 years. Furthermore, from the talent perspective, we are experiencing disruptions that require the development of new capabilities and ways of working.

We have redesigned our **culture** around four aspects which are going to be our GPS, our navigation system:

- **Impact**: execution continues to be essential for the sustainability of our business.

- **Collaboration**: working together as a team – employees, customers and partners – maximises our impact.

- **Transformation**: in a digital and dynamic world, we must ensure that our processes and the way we work evolve constantly to become more agile.

- **Growth**: the new context requires us to update our skills in a very dynamic way through lifelong learning.

In order to implant this updated culture model, we are going to boost our **talent management model,** designed around **managing skills**. We empower our people to take the reins in defining their own learning roadmap by using the training and development tools available to them.

We are enhancing this talent model with a **new performance appraisal method** to be implemented from 2024 with the goal of helping each of our employees maximise their potential and create the best version of themselves. It is based **on ongoing, honest conversations**, geared towards supporting development and maximising the impact of each of our employees. It will measure all aspects of our culture: impact, collaboration, transformation and growth.

Another element we have incorporated is our strong commitment to **internal mobility,** in order to accelerate professional growth and the acquisition of new skills. We are keen for mobility to be something that occurs at all levels of the organisation, starting at the executive level, encouraging changes in roles on at least a five-yearly basis (although this period may be shorter in the early stages of an employee's career and longer in the latter stages). We understand internal mobility to mean a switch from one business area to another, a different country (while performing the same role), or a significant change of role. There will be initiatives to recognise mobility and it will be taken into account regarding promotions to executive positions.

We are committed to **diversity** as a source of talent and to the creation of **inclusive and accessible environments** to ensure all our professionals can give their best.

Lastly, in order to sustain our corporate plan, we must become more dynamic by reducing the complexity of the organisation. This involves **adapting the skills of our workforce to the Company's needs** and having a simpler operating model. Digitalisation helps us to improve both our network operation processes and those of our customers and internal processes.

2.5.2. Targets

- Achieve 37% of our executive positions filled by women by 2027. Reaching this target is linked to the variable remuneration of our employees and is one of our sustainable financing indicators.

For further information, see 1.7. Finance for the transition to a sustainable economy

- Maintain an adjusted gender pay gap of +/-1% by 2024. This was achieved in 2022. This is the basis for progression towards a 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 at least 70% in the employee motivation survey with regard to work-life balance.

- Double the number of employees with disabilities within the workforce by 2024, in line with the commitments made to The Valuable 500.

- Attain an Employee Net Promoter Score (eNPS) of at least 70.

- Obtain an internal mobility rate among our executives of 15% per year by 2026 (10% in 2024).

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 the heads of the People department at Telefónica's main businesses and operations.

In addition, the **Executive Committee** analyses and monitors key aspects of global employee management, from skills and critical talent for the future to Telefónica's remuneration and organisational strategy.

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

- **Sustainability and Regulation Committee:** key performance indicators linked to company targets, as well as global and local progress on talent management and diversity, in line with the Group's ESG strategy, are presented to the committee once a year.

- **Nominating, Compensation and Corporate Governance Committee**: among other roles, this committee provides reports on appointment proposals for the role of Chairman of the Board, the executive directors and senior executives of the Company. This committee also reviews and supervises the remuneration for 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 2.7. Diversity and inclusion

We have set ourselves an annual target of 10% for internal mobility among our executives in 2024, which will increase to 15% by 2026.

2.5.4. Policies

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

- Regulation of 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.

- Supply Chain Sustainability Policy: establishing 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.

- 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 2.7. Diversity and inclusion

2.5.5. Impacts, risks and opportunities

The **impact** of managing human capital affects all areas of the Company and is essential to our business, affecting productivity, employee satisfaction, performance and Telefónica's reputation.

The main **risks** are related to the constantly evolving needs for new skills within the workforce, which stem from continual technical innovation and the shortage of technological talent in the market.

➕ For further information, see 3. Risks

In order to ensure that we have the capabilities needed to execute our strategy, we regularly conduct a **strategic skill-related planning process (Skills Workforce Planning).** We also work to establish a **diverse, inclusive and accessible** work environment, which allows us to empathise better with our customers, innovate and reflect their diversity in our commercial value proposition. Our **hybrid and agile working models** represent an opportunity for professional development and for attracting digital talent. Our commitment to **health, well-being and work-life balance** helps to increase the motivation of our employees and thereby improve our business results.

2.5.6. Action plan and commitments

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

In this regard, 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 allow our people to thrive and grow. To that end, we foster lifelong learning with **large-scale reskilling and upskilling programs**, and talent management that is based on skills, including leadership skills.

- **Diversity, equality and inclusion** by fostering an inclusive work culture and leadership style, including **accessible workplaces**, to ensure a working environment in which all our people can give their best and progress on an equal footing.

- **Flexible ways of working and agile high-performance ecosystems** capable of improving team effectiveness; 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.

2.5.6.1. Recognition

We have received acknowledgement for our efforts both globally and locally from a number of different institutions.
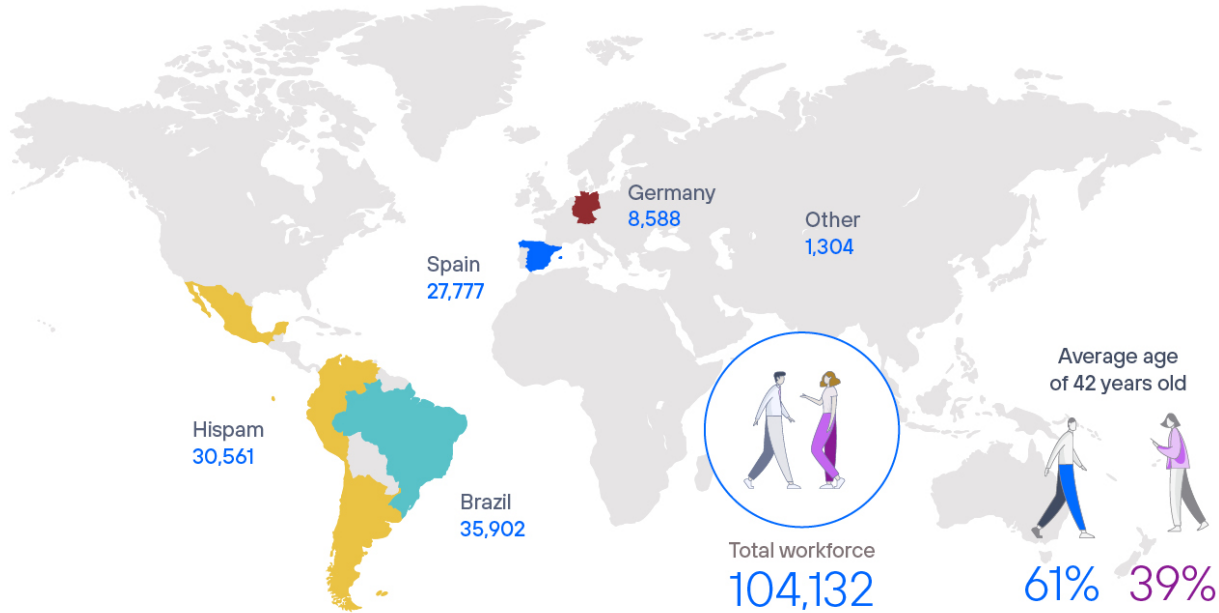
➕ For further information, see 2.6. Attraction, retention and talent development

➕ For further information, see 2.7. Diversity and inclusion

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

The main KPIs regarding Telefónica's workforce can be seen below:

Our team

Germany
8,588

Other
1,304

Spain
27,777

Hispam
30,561

Brazil
35,902

Total workforce
104,132

Average age
of 42 years old

61% 39%

How do we manage our human capital?

32.8% women in executive positions

27% of employees under 35

4% voluntary turnover

109 Nationalities

0.71% Adjusted pay gap

76 eNPS

99% permanent contracts

74% increase in number of employees with disabilities

2.5.7. Staffing indicators

2.5.7.1. Distribution of employees by country
GRI 2-7

Total number and distribution of employees by country

Country	On-site workforce		% On-site workforce	
	2022	**2023**	**2022**	**2023**
Spain	27,411	27,777	26.4%	26.7%
Brazil	35,241	35,902	34.0%	34.5%
Germany	8,246	8,588	8.0%	8.2%
Hispam	31,483	30,561	30.4%	29.3%
Argentina	11,210	10,697	10.8%	10.3%
Chile	4,190	3,769	4.0%	3.6%
Colombia	6,462	6,458	6.2%	6.2%
Ecuador	961	967	0.9%	0.9%
Mexico	1,798	1,747	1.7%	1.7%
Peru	4,616	4,547	4.5%	4.4%
Uruguay	606	673	0.6%	0.6%
Venezuela	1,640	1,703	1.6%	1.6%
Rest	1,257	1,304	1.2%	1.3%
Group Total	**103,638**	**104,132**	**100%**	**100%**

The Group's average headcount in 2023 stood at 104,112 employees.
The Group's equivalent (FTE) workforce in 2023 stood at 100,583 FTE.
The VMED O2 UK workforce at 31 December stood at 15,923 employees (11,037 women, 4,793 men, 93 non-gender-identified employees).

2.5.7.2. Distribution of employees by type of contract
GRI 2-7, 405-1

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

Region	Permanent contracts Men		Permanent contracts Women		Permanent contracts		Temporary contracts Men		Temporary contracts Women		Temporary contracts	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Germany	4,845	5,125	2,808	3,016	7,653	8,141	380	289	213	158	593	447
Brazil	19,906	20,201	15,333	15,700	35,239	35,901	—	—	2	1	2	1
Spain	17,292	17,700	9,688	9,884	26,980	27,584	239	103	192	90	431	193
Rest	917	950	338	340	1,255	1,290	2	7	—	7	2	14
Hispam	19,626	18,917	11,205	10,935	30,831	29,852	434	500	218	209	652	709
Group Total	**62,586**	**62,893**	**39,372**	**39,875**	**101,958**	**102,768**	**1,055**	**899**	**625**	**465**	**1,680**	**1,364**

Relevant KPIs from VMO2 at 31 December:
Permanent contracts = 15,776; Temporary contracts = 147.

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	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Germany	4,586	5,016	1,778	2,086	6,364	7,102	639	398	1,243	1,088	1,882	1,486
Brazil	19,905	20,200	15,335	15,701	35,240	35,901	1	1	—	—	1	1
Spain	17,479	17,751	9,765	9,858	27,244	27,609	52	52	115	116	167	168
Rest	916	956	308	315	1,224	1,271	3	1	30	32	33	33
Hispam	20,041	19,399	11,340	11,067	31,381	30,466	19	18	83	77	102	95
Group Total	**62,927**	**63,322**	**38,526**	**39,027**	**101,453**	**102,349**	**714**	**470**	**1,471**	**1,313**	**2,185**	**1,783**

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

Average contracts by gender

	Men		Women		Total	
	2022	2023	2022	2023	2022	2023
Permanent contracts	62,125	62,937	38,739	39,666	100,864	102,603
Temporary contracts	947	984	672	525	1,619	1,509
Part-time contracts	580	483	1,410	1,323	1,989	1,805

Average contracts by age

	Over 50		35 to 50		Under 35		Total	
	2022	2023	2022	2023	2022	2023	2022	2023
Permanent contracts	24,541	23,393	48,272	51,577	28,051	27,633	100,864	102,603
Temporary contracts	77	54	509	468	1,033	988	1,619	1,509
Part-time contracts	430	407	1,099	1,071	460	327	1,989	1,805

Average contracts by professional category

	Executives		Middle management		Other professionals		Total	
	2022	2023	2022	2023	2022	2023	2022	2023
Permanent contracts	4,328	4,451	9,247	9,405	87,288	88,747	100,864	102,603
Temporary contracts	6	4	10	42	1,603	1,463	1,619	1,509
Part-time contracts	14	13	58	69	1,918	1,723	1,989	1,805

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

Milestones

❶ The level of commitment from our employees increased by seven points, with the eNPS reaching 76 in 2023.

❷ Hybrid working models (remote and on-site) were in place at 100% of our operations.

❸ We were recognised by the Bloomberg Gender Equality Index as one of the companies most committed to gender equality globally.

❹ We enhanced our psychosocial risk prevention and care programs to ensure preventive care.

❺ We encouraged internal mobility among our employees and executives and set targets in this regard.

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

➕ For further information, see 2.7. Diversity and inclusion

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

➕ For further information, see 2.9. Safety, health and well-being at work

2.6. Attraction, retention and talent development

Key points

63%

of the new employees joining our team in 2023 were under 35 years old.

4.1%

voluntary turnover rate, decreasing by 1.6 p.p. since 2022.

81%

of our employees reported in the employee survey that learning forms part of their day-to-day working lives.

2.6.1. Vision

Attracting, developing and retaining talent is key for the success of our Company. To achieve this, we foster dynamic, inclusive and innovative workplaces in which people feel valued, well-prepared and supported in their professional growth and personal well-being. We aim to be a catalyst in developing talent, by providing opportunities for lifelong learning, upskilling and through the creation and promotion of a community of motivated and high-performance individuals to drive the future of our Company.

2.6.2. Impacts, risks and opportunities

The ability of Telefónica to adapt to the changes in the work environment is vital for the attraction and retention of talent.

Also essential is the competitive approach we take to remuneration, which is designed to motivate our professionals. This approach helps us fulfil our strategic goals while promoting the well-being of our workers and generating a **positive impact** on economic development in the regions in which we operate.

On the other hand, our main challenge is to acquire and evolve the skills necessary to execute the Company's new plan in an environment of technological disruption and critical skills shortages in the market.

In this respect, growing competition for talent, together with the need to offer increasingly flexible working conditions in order to meet expectations for career development, may pose a **risk** that could lead to critical employees (particularly those in technical roles and IT-related positions) to leave the Company.

This may cause economic losses and have a negative impact on the Company.

However, both the efficient management of the factors that enable the attraction and retention of talent and a firm focus on new skills development (through our training plans), represent an **opportunity** to capture the additional revenues that are particularly associated with digital services.

2.6.3. Action plan and commitments
GRI 404-2

Attracting, developing and retaining talent are fully interconnected aspects of an effective human capital management strategy. By attracting the right talent, retaining valuable employees and continually developing their skills, we can position ourselves for sustainable growth in a constantly changing environment.

The starting point to organise our talent management strategies is our **Skills Workforce Planning**. This plan seeks to ensure alignment between the skills we have within the organisation and those we need in order to allow for the growth of our businesses. The process enables us to make the right decisions to close the skills gap, by combining internal skill development with the incorporation of external talent.

- **For internal skill development,** we promote large-scale reskilling and upskilling programs that can develop critical skills for our business while improving the employability of our professionals. We have updated the learning model to personalise and adapt the range of training we offer to the preferences and skills pool of each professional through the SkillsBank platform and artificial intelligence (AI) engines (learning on demand).

- **Attracting the best talent** begins by developing an employer brand, communicating our values, vision and commitment, and looking for alignment with these values and our corporate culture in potential candidates. We use digital platforms, social media and networking events, including trade fairs and events at universities specialising in technology, to boost our visibility. The competitive remuneration packages offered, flexible working and an inclusive and diverse corporate culture contribute to creating an attractive and appealing environment for potential new talents.

We also strengthen our pool of young talent through various programs, such as Talentum (in Spain), the Telefónica Digital Transformation (in Germany) and Generación Movistar (in Hispanoamerica).

Main initiatives for talent retention

→ A purpose-driven company (for example, we connect people; remuneration tied to ESG).

→ A complete remuneration package (for example, a salary well above the minimum, with benefits in every country).

→ Flexible working hours (for example, a hybrid work model for all eligible employees).

→ Work-life balance (for example, agreement on the right to disconnect).

→ Lifelong training program, under which 70% of employees are on skill development programs (for example, Universitas, free programming courses at Campus 42).

→ Involvement in innovative and transformative programs tied to new technologies (for example, metaverse, Web 3.0, NaaS).

→ Well-being (for example, 81% of employees believe that Telefónica promotes well-being, according to our motivation survey).

→ Social implication (for example, the largest corporate volunteering program of any company worldwide).

→ Diverse and inclusive environment where difference is valued and empowered (for example, a commitment to double the number of employees with disabilities).

→ Team building with international festivals, activities and events (for example, Sondersland).

We have moved on from a traditional learning model to one focusing on developing skills and abilities through our SkillsBank tool.

- On one hand, **we are evolving the profiles and skills of our professionals** to meet specific business-related challenges. We offer **profile specialisation** so our people can remain at 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.

SkillsBank: AI for customised training

We have leveraged AI in our SkillsBank tool by incorporating machine learning, utilising in particular the content-recommendation model of the Netflix platform. This model not only makes more appropriate recommendations based on what similar employees have said about themselves but also learns from the actions taken by employees after those suggestions. This enables us to obtain a better and greater understanding of the skill pool inside Telefónica.

This approach also helps us to improve the career prospects of our employees in an environment of transitioning towards a climate-neutral economy. We are working to achieve net zero emissions by 2040 and, as part of this ambition, we are replacing our networks with more efficient ones. This may mean that some jobs are affected. However, our reskilling programs help by retraining and preparing our workforce in line with how our business is evolving.

In line with the commitment of the company, in 2022, the Chairman of Telefónica 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.

2.6.3.1. Internal mobility

In our new corporate strategic plan, known as GPS, internal mobility has become one of the most important tools to accelerate professional growth, capture new skills and retain talent. Internal mobility can be understood as a switch from one business area to another, a different country (while performing the same role) or a significant change of role.

All these initiatives are aimed at fostering the development and promotion of our employees within the Company.

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

2.6.3.2. Universitas Telefónica
GRI 3-3

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 new working and leadership methods, and at fostering a unique culture that defines us and makes us stronger by aligning priorities and empowering employees.

One year after the inauguration of our Universitas campus based at the Company's headquarters in Madrid (Distrito Telefónica), Universitas has become a place where leadership, growth and connection merge, through intensive and interactive residential programs.

We have created a favourable environment to enable at least two out of every three employees to regularly take part in training and skill development activities.

2.6.3.3. Employee satisfaction and commitment

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 is aligned 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).

As part of GPS (our new strategic plan for 2024-2026), we have increased our ambition. We now aspire to ensure an eNPS score of at least 70 each year.
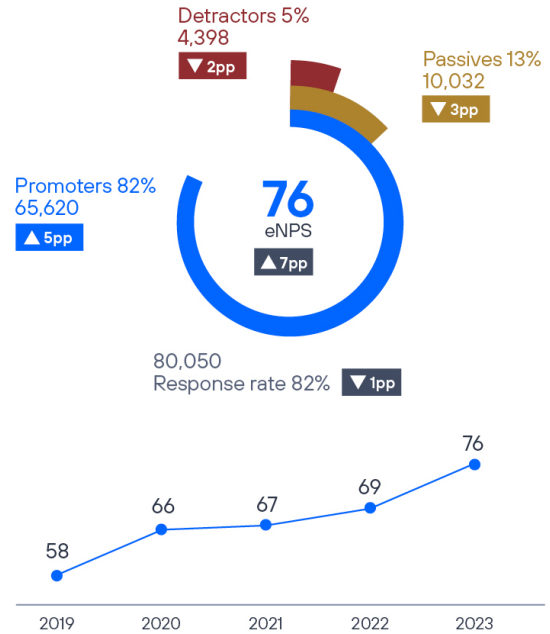
To enable qualitative responses, the survey includes open text fields for comments. These are analysed using natural language processing (NLP) techniques and generative AI, while maintaining the anonymous and confidential nature of the data.

The survey includes questions about workplace environment, leadership, work-life balance, diversity and inclusion, non-discrimination, and environmental and social commitment.

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 engagement and satisfaction levels of our employees. Our assessment of these exercises takes into account socio-demographic factors such as gender, age, years of service at the Company, professional category and business unit, transforming them into important sources of knowledge in fostering equality and diversity.

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 conflict situations.

Formula for calculating the eNPS

Detractors 5%
4,398
▼ 2pp

Passives 13%
10,032
▼ 3pp

Promoters 82%
65,620
▲ 5pp

76
eNPS
▲ 7pp

80,050
Response rate 82% ▼ 1pp

58 66 67 69 76
2019 2020 2021 2022 2023

2.6.3.4. Culture of recognition: Valuable People

This program 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 behaviour.

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

In total, we recorded 243,066 incidents of recognition for colleagues and teams, showing that recognition remains part of Telefónica's DNA. We will continue to promote it to connect with our talent. The number of recognitions continues to grow above the number of employees because each employee can receive several of them.

2.6.3.5. How to assess effort
GRI 2-19, 2-20, 201-3

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 globalised framework in which we operate and foster 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 company that is fully committed to **sustainability**. **Factors such as customer trust, the trust of society at large, diversity or the contribution of our company to the fight against climate change** have therefore influenced the calculation of the variable remuneration of our workforce since 2019.

For further information, see 2.15. 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 customisation 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. Thanks to these actions, Telefónica has received no reports of disputes related to this issue.

By way of example, the **social benefits offered by the Company** include universal health insurance for employees at every operation, which covers the needs of people with disabilities and the costs associated with issues relating to mental and reproductive health, among others. We also offer life insurance, a pension fund, share purchase program, discount programs, childcare assistance (including assistance at infant and school level and encompassing the period from birth to 24 years old, depending on the Group company), nursery services and food assistance, among other things. All these benefits increase job quality.

The Company offers leave options that are in compliance with the minimum levels established by law, and in many cases exceed them. For example, Telefónica provides a number of personal days which, depending on the Group company, ranges between two and four days, as well as alternatives for adapting our employees' working days to achieve work-life balance in situations that require family care services. These take into account blood relatives of the employee up to the second degree of kinship. Also, the Company offers maternity and paternity leave that exceeds the minimal legal requirements.

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

For further information, see 2.9. Safety, health and well-being at work

The **emotional salary** is another relevant factor with which 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 strong commitment to learning and professional development, and a culture of commitment and recognition of our employees.

Furthermore, in 2022 Telefónica launched an **incentivised global share purchase plan** – "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. In addition, as part of our Company's centenary celebrations, each employee who takes part in the plan will receive 100 additional shares for free.

Telefónica also 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 sponsors and the participants.

Generally speaking, the ordinary compulsory contributions from the sponsor of Telefónica de España, FP, consist of 6.87% of the participant's base salary provided that the participant joined Telefónica Spain 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 which, generally speaking, requires the sponsor to contribute 4.51% of the participant's base salary while the participant must contribute 2.2% of their base salary.

As of 31 December 2023., the number of participants and beneficiaries stood at 24,337 and 10,930 under employees of Telefónica de España, and 18,540 and 234 under Fonditel B.

The annual contributions from the sponsor in 2023 amounted to €41.1 million under Empleados de Telefónica de España, and €28.9 million under Fonditel B.

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

2.6.3.6. Performance reviews
GRI 404-3

Telefónica has a worldwide performance review process for all employees of the Group. The same timetable, guidelines and tools are shared everywhere. The review model measures different factors, ranging from achieving pre-set targets to developing new skills and teamwork. The appraisal process is based around agile feedback conversations, which take place at least twice a year. Although the process is coordinated globally, it is managed locally so as to better adapt to the needs of our

business. The outcome of the reviews affects our employees' compensation and their opportunities for development and promotion.

Percentage of employees subject to performance reviews

		2022	2023
By gender	Men	48%	49%
	Women	50%	51%
By professional category	Senior Management	50%	49%
	Middle Management	53%	53%
	Other Professionals	48%	49%
	Total	**48%**	**50%**

2.6.4. Progress in 2023

2.6.4.1. eNPS

Telefónica's eNPS has been consistently high for years: a score of over 40 is considered to be exceptional and there are few companies that score above 60. In 2023, our score rose by 7 to reach 76, thereby consolidating **Telefónica as the IBEX company with the highest published eNPS.** Our employee participation level was 81%, which is also considered very high among motivation survey benchmarks.

In 2023, the number of our employees who we can consider to be promoters went up by 4,000 people compared to 2022. Promoters are employees who, when asked the question "How likely would you be to recommend your company to people close to you as a good place to work?", give an answer of nine or ten out of 10. Moreover, the segments of passives (ratings of seven and eight out of 10) and detractors (six out of 10 or under) decreased.

The eNPS improved consistently across all our operations. A noteworthy case is that of Germany, which achieved the highest growth in the Group (up 12 points compared to 2022).

There are many reasons that explain the overall improvement in the Company's eNPS. These include our focus on measures that foster work-life balance and well-being, updating our employees' salaries against a backdrop of inflation, the working environment and team, and the growing range of training available for all our employees.

Thanks to the use of generative AI, we were able to analyse the responses to free-text questions and the 62,277 comments made by our employees. This allowed us to ascertain that well-being and achieving a good balance between their working and personal lives

continue to be crucial factors for employees' commitment to the Company.

In 2023, we achieved an eNPS of 78 points among **respondents aged under 35**, which represents an increase of six points compared to 2022. In addition, new employees (those who have been at the Company for less than two years) rated us with an eNPS of over 80 points, more than four points higher than the previous year.

2.6.4.2. Training and development
GRI 3-3, 404-1, 404-2

According to the annual motivation survey, 81% of our employees feel that learning has been incorporated into their day-to-day work.

Our SkillsBank development platform is available to almost 92,000 employees, more than 55,000 of whom (50,000 in 2022) have already uploaded their profiles.

The increase of these figures is partly due to our inclusion of machine learning algorithms in the learning suggestions. The platform has offered 5,256,331 suggestions, and 97.9% of the suggestions considered by employees have been accepted.

In 2023, we performed a proof of concept (PoC) and analysed additional AI tools to spur us towards our goal of being a skill-based organisation.

Our professionals completed in excess of **1.7 million courses**, with an average of 16 courses and 30 hours of training per employee. The decrease in average hours of training compared to 2022, when each employee completed an average of 35 hours of training, was a result of the impact of the Power of Connections programme that ran in 2022, as well as the updating of our Responsible Business Principles course that same year.

Universitas ran over 70 programmes, with an impact of around 11,000 people. Drawing on a joint team, including the heads of training in the different regions, in 2023 the range of programmes offered by Universitas was smaller but the programmes were taught more frequently, in three languages and in various formats (virtual, hybrid and in-person). They had the goal of enabling the professionals to learn key skills necessary to executing the business plan. It achieved an eNPS of 83 (seven points above 2022) which is far above the average reflected by various training benchmarks in Spain.

We also had new programs that focused on the skills identified as critical, such as **growth mentality, digital thinking, effective communication and results-oriented approach**, so as to meet the needs expressed by the local operations and to complement local upskilling and reskilling initiatives.

The digital thinking program was particularly interesting, as it featured AI combined with the human touch that characterises Universitas. It also involved our business (with the AI Ethics team participating in the teaching).

Now that the health emergency situation is over, we have restarted our face-to-face programs (which are longer and go into greater depth) for our leadership teams, with an Advanced Leadership Programme that covers not only skills-related content but also strategic vision and networking.

In 2023, **70% of our employees invested in learning and developing new skills** needed for the future through various skill acquisition (reskilling/upskilling) programs. This percentage dropped by eight points compared to the previous year, due to the large-scale implementation in 2022 of the Power of Connections programme for all the Company's employees.

The programmes run in 2023 included:

- In Spain, for B2B, the **Manual for the Unstoppable**, a course designed to build on the progress in the commercial transformation of the team. It is intended to promote work organisation on a project-by-project basis, thus fostering collaboration and customer impact. Over 4,000 professionals from the various business lines and segments took part in the training.

- In Brazil, Lean Six Sigma training was completed by 3,076 workers. In addition, to enhance skill improvement and career advancement, the digital training was divided into four key pillars – Yo+ Creativo, Yo+ Digital, Yo+ Humano, Yo+ Protagonista – and involved a total of 1,500 participants.

- In Germany, digital skills development programs for non-technological roles were conducted, in which over 1,200 people took part. The Agile Learning Journey programme was also run for over 150 workers. Through a specialised course entitled "Data and Artificial Intelligence", 500 employees were successfully retrained and now perform data analysis and programming tasks.

- In Hispanoamerica, critical skills training, which was given to more than 14,000 employees in 2023, while over 5,900 individuals completed specific courses on business intelligence and big data, digital linking, IT and agility through our schools. Efforts were also made to build digital skills and culture through the "Soy y Pienso Digital" training path, in which over 9,000 workers participated as part of the Experiencia Digital Udemy, Digital Transformation Week, CX Week and our Devops Days.

- T-Tech continued its technology certification scheme, though which 1,400 workers were certified in 2023. During the course of the year, a Career Plan was developed for professional advancement within the

organisation via one of six possible career paths: presale, sales, service delivery, technology, product and business support. The programme contains learning pathways covering impact on the business, the people-oriented approach, customer focus and the entrepreneurial mindset. It had an impact at a global level, with over 2,500 professionals from Spain, Peru, Chile and Colombia participating.

All these initiatives form part of our strategic skills-related planning 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 digital and business skills learning initiatives to ensure that the entire workforce has the the most up-to-date knowledge on these issues.

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

2.6.4.3. Attracting new talent

In 2023, 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, where 829 placements were taken up, 10% more than in 2022. 54% of the places were taken by Black candidates. In 2023, **63% of our new hires globally were aged under 35, up 3% compared to 2022.**

In Germany, the number of new employees hired doubled in 2023. We also achieved an intern retention rate of 65.4%.

In 2023, Talentum (Telefónica Spain's platform for boosting young talent and facilitating access to the job market) offered 156 grants, of which 38% were given to women. In Spain, we also conducted a study to assess how young Spaniards perceive Telefónica as an employer brand, with the ultimate goal of attracting that talent. The study consisted of two parts – a qualitative analysis involving six focus groups made up of young people in Madrid and Barcelona and a quantitative analysis based on over 500 interviews.

2.6.4.4. Performance review model
GRI 404-3

The results of our motivation survey were positive and serve as an indicator to confirm that the Company is ready to take one step further in its performance review model.

- Of all our employees, 84% stated they feel comfortable giving feedback to their manager.

- Additionally, 78% stated that their manager frequently talks about their contribution level and skill development.

A total of **51,586 employees were assessed** in the last performance review (for 2022), which was conducted between March 2022 and March 2023

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

Looking forward (to 2024), we are going to introduce a **new performance appraisal method** based on **ongoing, honest conversations**, geared not towards assessing but towards supporting development and maximising the impact of each of our employees. This new method will measure all the aspects of our culture: impact, collaboration, transformation and growth.

In addition, through local recognition programmes (such as Brazil's "Eu+Vivo", which resulted in more than 169,000 positive acknowledgements being awarded in its two editions) and alongside our global programme "Valuable People" we have more than doubled the number of positive acknowledgements compared to 2022.

2.6.4.5. Remuneration strategy

34% of Telefónica's employees are also shareholders in the Company (that is, one in every three employees). In 2022, we launched the 5th edition of an **incentivised global share purchase plan** –"Plan 100" – which was offered to **all employees of the Group on the same terms.** The plan will end on 19 April 2024, coinciding with the Company's centenary.

2.6.4.6. Employee turnover

In 2023, we updated the mechanism for calculating employee turnover in order to facilitate our analysis and interpretation of the results.

Total turnover includes all people leaving the Company, whether voluntarily, involuntarily, due to an incentivised Company redundancy scheme, or due to retirement or death. The percentage of total turnover is calculated by dividing the total number of leavers by the average workforce for the period under analysis. In 2023, the total turnover rate was 12.4%, which was more than 10 p.p. below turnover in 2022. The main reason for this reduction was the deconsolidation from the scope of

Tempotel, the Telefónica Group's human resources management company specialising in hiring extras for audiovisual productions. An additional reason is the reduction in the number of leaves due to incentivised Company redundancy schemes, from 3.217 in 2022 to 518 in 2023.

Excluding the impact of Tempotel in this indicator, the turnover rate would have fallen 5 p.p. in 2023, from 17% to 12%..

The **voluntary turnover** figure includes all people leaving as a result of employee resignations. The percentage of voluntary turnover is calculated by dividing the number of this type of leaver by the average workforce for the period under analysis. In 2023, voluntary turnover amounted to 4.1%, which was a reduction of 1.7 p.p. compared to 2022. The reduction in voluntary turnover was particularly marked in the segment of employees aged under 35, falling from 11.9% in 2022 to 8.3%, thanks to our efforts to retain critical profiles in businesses such as Brazil and T-Tech.

Adjusted turnover consists of voluntary leavers, dismissals and people leaving due to redundancy plans. The adjusted turnover rate is calculated by dividing the number of these types of leavers by the average workforce.

The breakdown of the turnover by different groups (gender and age) is calculated by dividing the total number of leavers by the average workforce for the corresponding group. For example, the voluntary turnover rate of employees aged under 35 in Germany is calculated by taking the total number of leavers aged under 35 and dividing it by the average workforce aged under 35 in Germany.

2.6.4.7. Recognition

- Workforce Disclosure Initiative (WDI), which aims to improve the transparency and accountability of companies in terms of their workforce and supply chain, awards Telefónica with an average score of 90% – more than 20 points above the sector average – and 28 above the average for all participating companies.

- For a further year, we were included in the list of the 25 Top Companies on LinkedIn. This list recognises the Spanish companies that foster the long-term professional success of their employees.

- In the 14th edition of the Randstad Awards, Telefónica achieved the distinction of being the favourite company for working in the telecommunications sector in Spain.

- For the third consecutive year, Vivo was included among the top 10 companies to work for in Brazil, according to Great Place To Work.

Milestones

❶ The participation rate for our eNPS survey was 81%.

❷ In 2023, 91,900 professionals were active on SkillsBank, our skill development platform.

❸ In 2023, 16,459 employees found new career opportunities inside the Group.

2.6.5. Turnover indicators

2.6.5.1. New employee hires[1]

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

Region	Age group	Men 2022	Men 2023	% 2022	% 2023	Women 2022	Women 2023	% 2022	% 2023	Total 2022	Total 2023
Germany	Over 50	68	92	6%	7 %	43	39	4%	3%	111	131
	From 35 to 50	239	254	21%	19 %	189	178	17%	13%	428	432
	Under 35	361	483	32%	37 %	219	274	20%	21%	580	757
Brazil	Over 50	115	113	1%	2 %	126	100	2%	2%	241	213
	From 35 to 50	1,222	1,001	15%	16 %	1,224	938	15%	15%	2,446	1,939
	Under 35	2,477	2,076	31%	32 %	2,754	2,212	35%	34%	5,231	4,288
Spain	Over 50	806	90	7%	4 %	656	44	5%	2%	1,462	134
	From 35 to 50	2,200	578	18%	24 %	1,583	351	13%	15%	3,783	929
	Under 35	3,934	828	32%	34 %	2,996	529	25%	22%	6,930	1,357
Rest	Over 50	17	23	10%	8%	6	4	3%	1%	23	27
	From 35 to 50	59	108	34%	36%	13	39	7%	13%	72	147
	Under 35	56	92	32%	31%	24	32	14%	11%	80	124
Hispam	Over 50	81	67	2%	3%	13	26	—%	1%	94	93
	From 35 to 50	822	488	21%	19%	371	247	9%	10%	1,193	735
	Under 35	1,661	1,068	42%	41%	1,025	678	26%	26%	2,686	1,746
Group Total	**Over 50**	**1,087**	**385**	**4%**	**3%**	**844**	**213**	**3%**	**2%**	**1,931**	**598**
	From 35 to 50	**4,542**	**2,429**	**18%**	**19%**	**3,380**	**1,753**	**13%**	**13%**	**7,922**	**4,182**
	Under 35	**8,489**	**4,547**	**33%**	**35%**	**7,018**	**3,725**	**28%**	**29%**	**15,507**	**8,272**

[1] The criteria for hires has been modified in 2023, excluding perimeter changes, internal movements, and parental permissions. The 2022 data has been recalculated applying this logic.

2.6.5.2. New employee hires by gender

	2022	2023
Men	14,118	7,361
	56%	56%
Women	11,242	5,691
	44%	44%
Total	**25,360[2]**	**13,052[3]**

The reason for the drop in hiring is the changes to the scope of consolidation, that is, the deconsolidation of Tempotel, the Telefónica Group's human resources management company specialising in hiring extras for audiovisual productions.

2.6.5.3. New employee hires by professional category

	2022	2023
Senior Management	201	146
	1%	1%
Middle Management	1,655	366
	6%	3%
Other Professionals	23,504	12,540
	93%	96%
Total	**25,360**	**13,052**

[2] 16,126 hires without Tempotel in 2022.

[3] 12,818 hires without Tempotel in 2023.

2.6.5.4. Employee turnover[4]

Total number and employee turnover rate by age range, gender and region

		2022		2023	
		Nº	%	Nº	%
Germany	Women	396	14.6%	398	12.8%
	Men	602	12.9%	641	12.0%
	< 35	415	26.0%	434	22.0%
	35-50	416	10.5%	417	9.5%
	> 50	167	9.1%	188	8.9%
	TOTAL	**998**	**13.5%**	**1,039**	**12.2%**
Brazil	Women	3,465	23.3%	2,919	18.8%
	Men	3,856	19.5%	3,018	15.1%
	< 35	4,333	28.3%	3,345	22.3%
	35-50	2,655	15.8%	2,278	12.9%
	> 50	333	13.0%	314	10.8%
	TOTAL	**7,321**	**21.1%**	**5,937**	**16.7%**
Spain	Women	5,627	57.0%	849	8.6%
	Men	8,066	46.3%	1,259	7.1%
	< 35	6,386	182.0%	950	26.7%
	35-50	3,420	25.8%	902	7.3%
	> 50	3,887	37.0%	256	2.2%
	TOTAL	**13,693**	**50.2%**	**2,108**	**7.6%**
Hispam	Women	1,648	14.3%	1,296	11.5%
	Men	2,972	14.8%	2,300	11.6%
	< 35	2,037	25.0%	1,627	21.1%
	35-50	1,645	9.6%	1,173	6.9%
	> 50	938	14.7%	796	12.2%
	TOTAL	**4,620**	**14.6%**	**3,596**	**11.5%**
Rest	Women	46	10.4%	76	21.8%
	Men	120	11.4%	192	20.2%
	< 35	57	11.7%	75	18.7%
	35-50	74	10.1%	137	21.1%
	> 50	35	12.8%	56	22.8%
	TOTAL	**166**	**11.0%**	**268**	**20.6%**
Group Total*	Women	11,182	28.4%	5,538[5]	13.8%
	Men	15,616	24.8%	7,410	11.6%
	< 35	13,228	45.5%	6,434	22.5%
	35-50	8,210	15.8%	4,904	9.4%
	> 50	5,360	24.9%	1,610	6.8%
	TOTAL	**26,798**	**26.2%** [6]	**12,948**	**12.4%** [7]

* Total Turnover: # total voluntary leavers + involuntary leavers + PSI (incentivised redundancies) + others (deaths & retirements) + end of contract for works and service of each group. It does not include transfers to other Group companies.
** The turnover rate is calculated as :# total voluntary leavers + involuntary leavers + PSI (incentivised redundancies) + other (deaths & retirements) + end of contract for works and service of the category / average workforce of each category. It does not include transfers to other Group companies.
The breakdown of the turnover by different groups (gender and age) takes into account the total number of leavers divided by the average workforce for the corresponding group.

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[4] In 2023 the tables have been restructured: (i) Total number and turnover rate by age range, gender and region. (ii) Involuntary leavers (dismissals). (iii)Turnover by type of leave. In order to show comparability with the current year, the data for 2022 have been recalculated.
[5] 42,8% of the leavers in 2023 were women. In 2022 was 41,7%.
[6] Employee turnover stood at 17% (17,392 employees) in 2022 without Tempotel.
[7] Employee turnover stood at 12% (12,517 employees) in 2023 without Tempotel.

Involuntary leavers (dismissals*) by gender, age and professional category
GRI 401-1

	2022	2023
Women	2,442	2,325
Men	2,928	2,703
< 35	2,743	2,533
35-50	2,188	2,047
> 50	439	448
Senior management	164	153
Middle management	808	310
Other professionals	4,398	4,565
Group Total	**5,370**	**5,028**

*Dismissal means a Company decision to unilaterally terminate an employment contract. This concept does not include incentivised redundancies which are part of restructuring processes.

Voluntary leavers (resignations) by age

	2022		2023	
Age Range	N°	%	N°	%
Under 35	3,465	11.9 %	2,381	8.3 %
From 35 to 50	2,173	4.2 %	1,635	3.1 %
More than 50	233	1.1 %	229	1.0 %
Total	**5,871**	**5.7 %**	**4,245**	**4.1 %**

The reduction in voluntary turnover was particularly significant in the segment of employees aged under 35 thanks to our efforts to retain critical profiles in businesses such as Brazil and T-Tech.

Turnover by type of leave

	2022						2023					
	Women		Men		Total		Women		Men		Total	
	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%
Voluntary (resignations)*	2,453	6.2%	3,418	5.4%	**5,871**	**5.7%**	1,826	4.5%	2,419	3.8%	**4,245**	**4.1%**
Involuntary (dismissals)	2,442	6.2%	2,928	4.6%	**5,370**	**5.2%**	2,325	5.8%	2,703	4.2%	**5,028**	**4.8%**
Adjusted total*	5,821	14.8%	8,847	14.0%	**14,668**	**14.3%**	4,322	10.7%	5,469	8.6%	**9,791**	**9.4%**

* The voluntary turnover rate is calculated by dividing the number of voluntary leavers by the average workforce. "Voluntary leaver" is understood to mean employees who leave based on their voluntary decision to do so.
** The involontary turnover rate is calculated by dividing the number of dismissals (where "dismissal" is understood to mean the Company's unilateral decision to terminate the employment relationship) by the average workforce.
*** The adjusted turnover rate is calculated by dividing the number of total voluntary leavers + involuntary leavers + incentivised redundancies by the average workforce. It does not include transfers to other Group companies, PSI (incentivised redundancies), others (deaths & retirements) nor end of contract for works and service.

Days of parental leave by country

	Primary	Secondary
Colombia	22 weeks	2 weeks + 6 days
Argentina	17 weeks	23 days
Venezuela	18 weeks	5 days
Chile	18 weeks	5 days
Spain	16 weeks	16 weeks
Brazil	16 weeks	5 days
Germany *	14 weeks	1 day
Peru	14 weeks	10 days

* Following the birth of a child, both the mother and the father are entitled to take a break, known as "Parental Leave", from their jobs to look after their child and spend time with the family. This type of leave has a maximum term of 3 years calculated from the date of birth (adoption or foster placement). During this period of leave, state financial aid can be applied for, which serves as compensation if after the birth of the child the employee works less or does not work at all for a while.

Parental leave
GRI 401-3

	2022			2023		
	Men	Women	Total	Men	Women	Total
Total number of employees who were entitled to parental leave	17,531	9,880	**27,411**	17,803	9,974	**27,777**
Total number of employees who took parental leave	524	227	**751**	544	291	**835**
Total number of employees who returned to work during the period subject to this report after concluding their parental leave	521	244	**765**	514	256	**770**
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**	499	271	**770**
Rate of return to work by employees who take parental leave	99%	98%	**99%**	99%	99%	**99%**
Rate of retention for employees who took parental leave in the last 12 months	92%	90%	**91%**	94%	94%	**94%**

The data for 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. We are already monitoring the number of employees availing themselves of maternity and paternity leave through our internal systems.
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.
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.

2.6.6. Commitment and motivation

Employee Net Promoter Score (eNPS)

Region	eNPS Total 2022	eNPS Total 2023	eNPS Men 2022	eNPS Men 2023	eNPS Women 2022	eNPS Women 2023
Germany	66	78	64	76	70	81
Argentina	59	71	62	73	53	69
Brazil	84	88	80	86	88	90
Chile	77	78	79	80	74	75
Colombia	82	85	81	84	83	86
Ecuador	80	89	80	88	80	89
Spain	54	61	54	60	54	64
Mexico	74	84	74	83	75	83
Peru	49	60	50	60	48	59
Uruguay	83	89	84	90	83	88
Venezuela	69	91	70	90	68	92
Others	48	56	48	56	47	57
Hispam	**67**	**76**	**68**	**76**	**65**	**76**
Group Total	**69**	**76**	**67**	**75**	**72**	**79**

See definition at 2.6.2.Action plan and commitments.

2.6.7. Training indicators
GRI 404-1

Total training hours by professional category, gender and region

Region	Training hours 2022	Training hours 2023	Training hours Executive Men 2022	Training hours Executive Men 2023	Training hours Executive Women 2022	Training hours Executive Women 2023	Training hours Middle management Men 2022	Training hours Middle management Men 2023	Training hours Middle management Women 2022	Training hours Middle management Women 2023	Training hours Other professionals Men 2022	Training hours Other professionals Men 2023	Training hours Other professionals Women 2022	Training hours Other professionals Women 2023
Germany	97,040	97,989	1,205	1,143	721	550	5,890	10,066	1,970	3,731	57,358	51,632	29,897	30,866
Brazil	1,868,478	1,739,715	17,078	25,756	10,556	17,095	53,272	56,858	44,799	43,570	737,513	703,327	1,005,261	893,109
Spain	865,223	621,380	24,775	14,260	14,228	8,026	59,900	35,589	33,213	20,172	469,770	356,186	263,337	187,147
Rest	4,769	5,535	667	343	126	58	1,743	881	769	497	814	2,785	650	971
Hispam	767,456	684,567	10,114	6,955	4,870	4,188	42,419	37,395	30,753	29,629	375,195	331,464	304,104	274,937
Group Total	**3,602,967**	**3,149,186**	**53,839**	**48,456**	**30,501**	**29,917**	**163,224**	**140,790**	**111,504**	**97,600**	**1,640,650**	**1,445,394**	**1,603,249**	**1,387,030**

Investment in training in 2023 amounted to €26.5 million. Average investment per FTE stood at €282. Ratio calculated on 93% of the Group's workforce (FTE) at year end.

Training hours per employee; by professional category, gender and region

Region	Training hours per employee 2022	2023	Training hours per employee Executive Men 2022	2023	Training hours per employee Executive Women 2022	2023	Training hours per employee Middle management Men 2022	2023	Training hours per employee Middle management Women 2022	2023	Training hours per employee Other professionals Men 2022	2023	Training hours per employee Other professionals Women 2022	2023
Germany	13	12	7	6	12	8	11	16	12	19	14	11	11	11
Brazil	54	49	16	23	18	27	32	33	54	51	43	41	75	64
Spain	32	22	23	13	26	15	32	19	34	21	32	24	31	22
Rest	4	4	11	7	9	4	10	5	10	8	1	4	3	4
Hispam	24	22	19	13	21	17	21	19	33	31	21	19	29	27
Group Total	**35**	**30**	**18**	**16**	**21**	**20**	**26**	**22**	**38**	**32**	**30**	**26**	**46**	**39**

In 2023 we recorded a reduction in hours of training compared to 2022, due to the impact of the Power of Connections program and the Responsible Business Principles course.
Training hours by professional level: 17.58 training hours per employee for senior management, 25.16 training hours per employee for middle management and 31.40 training hours per employee for other professionals.

Training hours per employee; by type of contract

Type of contract	2023
Permanent contracts	30
Temporary contracts	20

Training hours per employee; by age range

Age Range	2023
Under 35	43
From 35 to 50	19
Over 50	29

2.7. Diversity and Inclusion

Key points

91%

of employees stated that they worked in a company where they felt included and where equal opportunities were promoted.

32.8%

women executives, demonstrating our commitment to gender equality which has been recognised by Bloomberg Gender-Equality Index.

+1,090

employees with disabilities in Telefónica's workforce than last year.

2.7.1. Vision

For Telefónica, diversity and inclusion (in addition to being consistent with principles of social justice) represent an invaluable opportunity to attract the best talent, empathise with our customers, grow as a company and, ultimately, have a positive impact on our environment. We therefore design initiatives aimed at promoting diversity in our teams. However, diversity only delivers positive outcomes if it is accompanied by a leadership style and organisational culture of equity, plurality and inclusion.

2.7.2. Governance

We have internal bodies and roles in place that track our progress in these areas. They 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, its purpose is to promote the Company's diversity strategy. This body also monitors and keeps track of the Company's main indicators and targets in this regard.

- **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. Since 2017, the position has been filled by Laura Abasolo, the current Chief Financial and Control Officer, Head of Telefónica Hispam and member of the Executive Committee.

- **Diversity Champions:** team leaders who act as internal agents of change 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 Global Diversity and Inclusion Policy:** guarantees equal opportunities and non-discriminatory, fair and impartial treatment of people in all areas of our Company, without prejudice related to nationality, ethnic origin, skin colour, 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:** ensures that proposals to appoint or re-elect Directors are based on a prior analysis of the competencies required by the Board of Directors, favouring diversity in terms of knowledge, experience, age and gender.

- **Global Equality Policy:** establishes the Company's commitment to the implementation and dissemination of a set of basic measures in the area of gender equality in all countries where the Group operates.

2.7.4. Impacts, risks and opportunities

As a company that operates in various different environments, we are aware of the **impact** we can have on society. Managing diversity and inclusion fosters equity: it reduces the pay gap and prevents discrimination arising out of weak regulatory frameworks. It also improves people's employability, regardless of their circumstances.

The main **risk** we face is the potential loss of talent caused by a non-inclusive work environment. That is why our commitment to diversity and inclusion is so important, as it strengthens our appeal as an employer brand. It also promotes a good workplace climate and reinforces our employees' sense of belonging, positively impacting their productivity and results.

In addition to being an ethical and business imperative, managing diversity helps to ensure compliance with legislation on harassment and discrimination and accessibility in the workplace, and to mitigate the associated risks.

It also represents an **opportunity** for us to be a more innovative company, aligned with the demands of an increasingly diverse market which prizes companies commitment to inclusion. Also, a firm commitment to diversity improves the Company's prospects in tenders involving large customers. Additionally, it helps to attract investment and financing linked to sustainability criteria.

2.7.5. Action plan and commitments
GRI 3-3

Telefónica's strategic lines for diversity and inclusion are established globally by the Global Diversity Council and are in line with the Impacts, Risks and Opportunities (IROs) mentioned earlier. They are adapted and developed locally, taking into account the business priorities and the socio-cultural context of each country.

In order to move forward, the Company has marked out plans of action with specific deadlines linked to public and quantitative targets in the short, medium and long term.

Our target is for 37% of our executive positions to be held by women by 2027.

- In the short term, in addition to working to increase the proportion of women in our workforce, we set a **target of achieving a situation in which 37% of our executive positions are filled by women by 2027**[1] and **of an adjusted gender pay gap of +/-1% by 2024** (we achieved the latter target in 2022). In addition, we want to **double the number of employees with disabilities** by 2024.

- In the medium term, we aim to achieve **gender parity in the Company's highest governing bodies by 2030**[2] . With regard to the Board of Directors, this target was accomplished in 2023, when women made up 40% of the Board's members. Meanwhile, in the long term we aspire to **close the gross gender pay gap** (which according to international estimates will not be achieved globally until 2154[3]).

Compliance with the target for women in executive positions (37% by 2027) tripled its weight in the calculation of our employees' variable compensation, from 1% in 2021 to 3% in 2022.

⊕ For further information, see 2.15. Governance and culture of sustainability

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

⊕ For further information, see 2.5. Human capital

2.7.5.1. Committed to equal opportunities
GRI 3-3

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 digital environment, and establishes specific procedures for their prevention.

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[1] The percentage of women executives among Telefónica's executives is the metric used to measure the KPI regarding the total number of executive positions among the workforce. The executives of the Telefónica Group are defined as being the group subject to specific governance conditions inside the Group. They make up 0.7% of the total workforce. The appointment of executives is decided by the Nominating and Compensation Committee, and the Transparency Committee, established at a global level. Executives have specific contractual conditions, benefits and management systems which are linked to auditing and compliance.

[2] Parity defined as no less than 40% of each gender.

[3] Global Gender Gap 2023 (World Economic Forum).

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, **protocols for action in cases of workplace harassment or bullying, sexual harassment and discrimination** are put in place in accordance with applicable legislation and, where appropriate, with worker representatives. In addition, in Telefónica Hispam, we use a tool leveraging artificial intelligence that allows us to easily recognize possible cases of harassment.

Furthermore, the **whistleblowing channel** allows all employees and stakeholders to report, anonymously or personally, any form of harassment or discrimination they have experienced.

At a global level, we have a Procedure for the Management of the Internal Reporting System that applies to cases of workplace and sexual harassment and violence. This sets out the **remediation process:** receipt and acceptance for processing of all reports and complaints, procedure for the investigation and designation of an inspector, decision, corrective measures, and the reporting and storing of this information. In order to adapt and improve its response, the Company compiles and analyses data broken down by gender on the conclusions reached regarding complaints of violence and harassment.

➕   For further information, see 2.16. Ethics and compliance

2.7.5.2. Committed to equal pay: closing the pay gap

At Telefónica, we apply the **principle of equal pay** for the same work or for work of equal value. That means equal pay for equal work regardless of the employee's gender.

We conduct 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 taking into consideration all items related to salary, benefits and other short- and long-term incentives.

The external audit performed on this report includes the auditing of our gender pay gap data.

➕   For further information, see Auditor's report

Gender **pay inequalities or 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.

If we only compare average total pay, without taking into account factors other than gender, we are talking about the **gross pay gap,** which is calculated in the following way for each of the countries:

$$\text{Male remuneration} = \text{Average remuneration earned by men}$$
$$\text{Female remuneration} = \text{Average remuneration earned by women}$$

$$\text{Gross Gap} = \frac{\text{Male Remuneration} - \text{Female Remuneration}}{\text{Male Remuneration}}$$

However, if we wanted to perform the same calculation at a global level, we would be mixing up the socioeconomic circumstances of each of the countries where the Company is present. Therefore, the calculation of the gross pay gap for the Group (which was reduced to 16.1% in 2023, 0.66 p.p. reduction) has been weighted based on the number of employees present in each of the countries:

$$\text{Gross weighted pay gap} = \frac{\sum \text{country gross pay gap x Country HC}}{\text{Telefónica Group HC}}$$

That being said, if we include factors that objectively define the salary of our employees, such as country, legal entity, professional category, functional area in which each employee works, seniority, working time pattern (full-time or part-time) and market reference code, then we are talking about the **adjusted pay gap** (0.71% in 2023). We calculate this by using a machine learning technique known as a linear regression model. It allows us to detect the impact of gender when other factors have been taken into consideration.

$$\log(\text{Total Remuneration}) = \beta_0 + \beta_1 \,{}^*\text{Gender} + \beta_2 X_2 + \dots + \beta_I X_I + e$$

Factors that determine the calculation of the adjusted pay gap

Country Legal entity Functional area Professional category Type of working day Market reference

The calculation of these three pay gaps encompasses all our employees except trainees, expatriates and other specific cases.

Closing the gross pay gap involves structural, social and cultural changes that require a long-term commitment, which is why we aspire to do so by 2050.

Telefónica is working on five lines of action to close the gross 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 the Company and focusing particularly on executive positions (32.8% in 2023) and income generation positions (49% in 2023).

- Promoting gender parity in the Company's highest governing bodies. In 2023, women made up 40%% of the members of the Board of Directors.

- Strengthening our commitment to work-life balance and co-responsibility. Raising awareness and new flexible working models are key elements in achieving this.

- Increasing the weight and prominence of women in digital and STEM environments. At present, 23% of the Company's STEM positions are held by women.

Trend of weighted gross pay gap (%)

2021	2022	2023
17.49	16.8	16.14
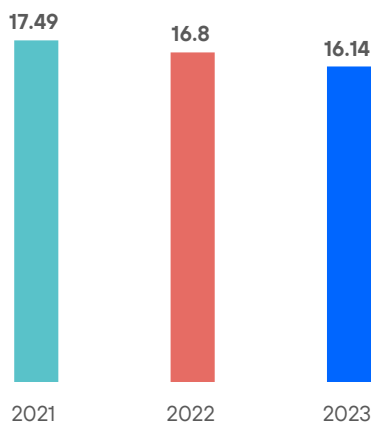
Trend of adjusted pay gap (%)

2021	2022	2023
1.18	0.74	0.71
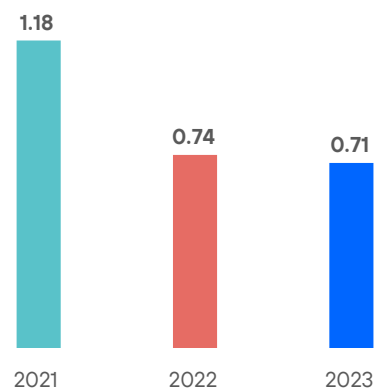
2.7.5.3. Programs and actions to promote diversity and inclusion
GRI 3-3

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

In view of the limited participation of women in digital professions, we promote initiatives to attract and increase the visibility of women in digital and STEM careers through a number of initiatives, including our internship programs. In addition, we develop career acceleration and visibility enhancement programs for female employees, which aim to train them in leadership skills and enrich their network of contacts.

Furthermore, we implement measures to facilitate work-life 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 co-responsibility hinders women's professional development.

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

We increased the number of our employees with disabilities to 2,572, bringing us closer to our target of over 2,700 people by 2024.

With regard to **people with disabilities**, in line with our target of doubling the number of employees with disabilities by 2024, we promote their integration through agreements with external entities, prioritising the search for professional profiles that meet the Company's technological and digital needs. We also provide the tools and assistance necessary throughout their employee journey to enable successful integration and performance of their duties. In addition, we offer courses and guides to ensure "attitudinal accessibility" on our teams.

At the same time, we are committed to the accessibility of our workplace facilities and services for employees, as well as that of our digital resources by adapting computer systems, channels and equipment.

➕ For further information, see 2.12. Digital inclusion

In terms of **generational diversity**, we have programs for talent development and empowerment of young professionals. We are positive that attracting the best young talent is key to driving digital transformation. In addition, we promote internal mobility and the inclusion of all age groups in our development programs. Also, we have initiatives to promote the employability of those aged over 50 and to promote intergenerational diversity.

Regarding **racial diversity**, in those locations where legislation allows for it, we monitor the number of employees by ethnicity and have initiatives to attract and promote leadership among professionals from the "global majority". Ultimately, we are working to close the ethnicity pay gap and we foster the careers of people with a migrant background in the technology sector.

We are also committed to ensuring that our **LGBT+ employees** work in environments where they can give their best. In this regard, in addition to raising awareness and visibility and to supporting employee resource groups, we have specific initiatives to attract and promote the development and well-being of transgender people. Furthermore through the guide to the gender transitioning process at work, we aim to guide both the transitioning employee and their manager through the whole process. In several countries we have trained our human resources teams in the inclusion of trans and non-binary talent and, in particular, in the United Kingdom we have a specific health policy for these groups.

We have also implemented measures that have an impact on our employees' families:

- We offer specific benefits for LGBT+ couples and parents that go beyond the legal requirements.

- Telefónica has been linked in Spain since 1973 with ATAM, a private social protection system for the families of employees with disabilities and dependency. The association offers comprehensive and expert advice, as well as 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 make an effort to foster the procurement of services from socially-oriented suppliers, particularly **Special Employment Centres** (businesses that create job opportunities for people with disabilities)**.**

➕ For further information, see 2.19. Responsible supply chain management

2.7.5.4. Awareness-raising and employee resource 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. In addition, we offer training for departments and individuals with key roles to play in supporting the inclusion of all employees.

We provide **diversity workshops for the members of the Board of Directors.**

We have also established **employee resource groups** for LGBT+ employees, employees with disabilities, employees of different ethnicities, young people and women. As well as raising the visibility of their members, these groups help to raise the awareness and sensitivity of the workforce as a whole.

2.7.5.5. We assume our responsibility as a leader in social issues

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

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

Mujeres en Red seeks to increase the participation of women in the technical sector. Over 1,070 women are working as technicians in Peru and Colombia. The program has been recognised by the UN Global Compact for its good practices in sustainable development.

Similarly to the Mujeres en Red program in Hispanoamérica, in Brazil, Mulheres de Fibra has enabled 408 women to successfully integrate into the telecommunications labor market through our partner companies.

2.7.5.6. 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. In Spain we collaborate with organisations such as the Fundación ONCE, CNSE, Randstad Foundation, Fundación GoodJob or Fundación A La Par. Besides, Fundación Telefónica is part of the *Alianza Tecnológica por la Inclusión*. In the United Kingdom, we collaborate with Purple Space, the only professional development center for leaders of affinity groups for employees with disabilities, and with Aubilities, which seeks to promote employment among the neurodivergent community.

- 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 UK, and the *Fórum de Empresas e Direitos LGBTI+* and *Trans Empregos* in Brazil.

- ClosinGap, the group of companies committed to closing the gender gap in Spain. As part of this partnership, we promoted the publication of the report *The Opportunity Cost of the Gender Gap in the Digital Professions*, with the aim of generating the necessary knowledge and debate in society.

- In the same country, we part of *Yo No Renuncio*, the network of companies committed to work-life balance. In the United Kingdom, we collaborate with Employers for Careers, an organization that promotes the retention

and development of talent with family care responsibilities, and The Fawcett Society, charity campaigning for gender equality and women's rights. And in Germany, we partner with Chefsache, the initiative to eliminate gender stereotypes in the professional world, and work in collaboration with the initative Diversity Charter.

- In Brazil, we participate in *Movimento Mulher 360* and the Business Coalition to End Violence against Women and Girls. We are signatories to the Pact for Inclusion and also the Pact for Racial Equity. In addition, we are part of the Business Network for Social Inclusion, the Business Initiative for Racial Equality and the Business Coalition for Racial and Gender Equality.

- In the same country, Telefónica is a signatory to the "Ambição 2030" commitments of the UN Global Compact in Brazil, including "Raça é Prioridade" and "Elas Lideram".

- In UK, we work with 20/20 Levels to empower and boost the careers of young people from ethnic minorities. In Germany we work with the 2hearts community to support people with a migrant background in their development in the technological sector.

2.7.6. Progress in 2023

The percentage of **Telefónica employees who stated they worked in a company where they felt included**, and where equal opportunities were promoted, held at **91% in 2023**, according to the annual climate survey.

In addition, **84%** (two p.p. above the 2022 results) **said they believed that everyone's ideas were listened to and properly taken into consideration,** regardless of who expressed them, their position, gender, age, religion, sexual orientation or identity, ethnicity, origin, disability or personal background.

The Company is fully committed to inclusion and requires both its Management and the Board of Directors to share this commitment. Prompted by this, in 2023 we organised training sessions for the directors in which we addressed all the pertinent strategic issues for the Company.

2.7.6.1. Gender equality

In 2023 we achieved gender parity on our Board of Directors (understood as when each gender makes up between 40% and 60% of its members), upon increasing the percentage of women on the Board to 40%. In addition, the percentage of women executives increased by 1.8 p.p., reaching 32.8% in 2023. This figure leaves us, one year ahead of schedule, 0.2 p.p. short of the target

we have been pursuing for the past few years: 33% women executives in 2024. Looking ahead to the future, we raise our ambitions for 2027 in this field: increasing this figure to 37% in 2027, in line with our sustainable financing criteria.

In relation to the **pay gap**, we reduced the adjusted pay gap to 0.7%, remaining in line with the Group-wide target of 1% by 2024.

In addition to having diverse teams, an **inclusive leadership** style is essential to achieving our targets in all areas of diversity. Along these lines, in 2023, over 3,000 people attended sessions (linked to the "AllyUp" programme) on inclusive leadership, gender dynamics and the management of high-performing, flexible teams.

With the aim of **promoting equality** at all hierarchical levels and closing the gender pay gap, in 2023 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. Some examples below:

- Empowering Women, which is aimed at promoting female leadership among all the women at the Company. This initiative addresses the key issues and barriers faced by women who want to lead. Approximately 250 women participated in 2023.

- In Spain, we launched the Female Talent Boost Programme, with 180 participants. This initiative seeks to prepare participants for positions with more responsibility by fostering a broader outlook, self-confidence and leadership skills.

- The Futura leadership programme in Hispanoamerica, which in 2023 had over 200 participants and resulted in 139 women being certified. We also provided leadership training for women at all levels of the organisation, including the Women and Leaders workshop, which was attended by 332 participants in 2023. In addition, the New Masculinities workshop had 103 male participants during the year.

Among our operations, we launched specific vacancies and scholarship programmes for women. In Brazil, in 2023, 320 women-only positions were opened in over 20 cities. Furthermore, in the same country 52% of the scholarships were occupied by women, reaching figures of over 40% in business areas and technical areas such as engineering.

We are also working to promote the presence of women and young people **in STEM careers** and the field of entrepreneurship outside the confines of the Company through a total of 44 initiatives worldwide[4]. Examples include #SheTransformsIT, the STEAM Alliance for

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[4] The number of initiatives was reduced significantly due to the fact that, in 2023, initiatives exclusively targeting women and girls have been counted.

Female Talent and Girls Love Tech, among others. Through Girls Love Tech alone, we have offered over 1,200 young people from all over Spain the opportunity to connect with more than 100 mentors and experts from our Company via over 150 training, inspiration and mentoring activities.

Along the same lines, in 2023, we published the percentage of women working in STEM (23%) engineering (15%), IT (39%) and R&D positions (42%) at Telefónica. Moreover, of all the employees who were promoted to executive positions during the year, 46% were women.

In Spain, with regard to work-life balance, in addition to being part of the "Yo No Renuncio por la conciliación" network of companies, in 2023 we worked with the Club de Malasmadres on a thorough internal assessment that enabled us to understand the barriers our employees face when trying to achieve a suitable work-life balance and their perceptions of the situation. The results of the assessment were shared internally and will be used to make further improvements.

2.7.6.2. Disabilities
GRI 405-1

In terms of **disabilities**, and in line with the target of doubling the number of people with disabilities in the workforce by the end of 2024, in 2023 we worked with specialist partners that helped us to find candidates, prioritising digital skills for technical or technological roles, in line with our digital transformation. We also put emphasis on attracting professionals with different types of disabilities.

Our approach includes improving accessibility and inclusion in the selection and integration processes for people with disabilities, ensuring that we provide the necessary tools and adjustments to enable them to integrate successfully into their job, team and workplace and to carry out their duties well.

For example, in Brazil we offer reading software, adapted headsets, tactile floors and Braille signs. In addition, we provide a real-time sign language translation service for events and meetings, as well as adapted telephones with captions for people who are deaf.

We enhanced our disability awareness programme for all employees by adding information on the different types of disabilities and the tools that promote equal treatment. In Spain alone, we trained over 1,300 employees in 2023 who work directly or indirectly with people with disabilities on our staff.

All these efforts allowed us to increase the number of employees with disabilities globally by 73.5% compared to 2022, reaching 2,572 people by the end of 2023.

"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 900 people with disabilities were hired in 2023. In addition, as part of the Explore+ programme, 100% of the study costs for our employees with disabilities on undergraduate and short-term postgraduate courses was subsidised.

In Spain, the Include Programme, developed in partnership with Fundación GoodJob, has enabled us to incorporate 124 people with disabilities who have received training in cybersecurity, the cloud, automation and robotisation.

In relation to our supply chain, in 2023 we continued to increase the range of Special Employment Centres we work with (suppliers whose workforce is made up of at least 70% of employees with disabilities).

Going beyond the bounds of our Company, last year we provided training to older people and people with disabilities in the digital skills required by the market. Through our Foundation, we served almost 70,000 people with disabilities.

In addition, with the aim of promoting the digital employability of people with intellectual disabilities, Fundación Telefónica and Fundación Prodis prepared a study centring on a digital model for including people with intellectual disabilities in the job market, highlighting tools to enable them to face the challenges posed by the digital society on an equal footing.

More information on social action in the area of diversity, disability and universal accessibility is available in the Fundación Telefónica Annual Report which can be found at Fundación Telefónica website /get-to-know-us/ annual-report/.

2.7.6.3. Generational diversity

In terms of young talent, 63% of the new recruits to our team in 2023 were under 35 years of age.

In Spain, 123 young people from Talentum completed a Power Skills training programme, enhancing their skills in the areas of communication, creativity, diversity and inclusion, teamwork, flexibility and adaptability and constructive feedback. 38.1% of the participants in the Talentum scholarships in Spain were women. In the same country, in 2023, 370 young people completed the Learn2Grow programme, which accelerates the professional and personal growth of people under 35.

At global unit level, 2023 was the year we launched our talent community, in which more than half of our employees under 35 are enrolled. Members receive information from the Company on matters relating to their training, well-being, leisure and social benefits from the Company.

In Germany, Telefónica Digital Transformation offers a tailored and individual plan for young people, while in Hispanoamerica, Movistar Generation has invited young people from the region to participate in a project to boost their careers, enabling 61 of them to join the workforce. In the UK, we promote the development of young talent through the Future Careers initiative. In more specific terms, in 2023 over 200 students were offered a STEM job opportunity, these offer aims to promote the presence of women (49%) and young people from the so-called "global majority" (76%). In Brazil, we recruited 415 interns in 2023. During the year, Telefónica also supported the Sondersland youth employability and empowerment event.

Also in Brazil, we enhanced the 50+ project, which promotes the hiring of people over 50 years of age, which we have expanded to business areas beyond shops.

2.7.6.4. Ethnic diversity

With regard to diversity by **origin or ethnicity**, in Brazil we stepped up our efforts to promote Black talent. In 2023 we launched a professional development programme for Black employees in collaboration with the Modo Parités Institute. We also have specific programmes for Black women, such as Women in Leadership.

Telefónica has passed the 50% mark for the number of internship grants awarded to Black people, reaching 58%. We continue to raise awareness among our leaders and invite them to mentor Black employees through the Raça em Foco programme. All these initiatives have resulted in us having a workforce with 41.7% of employees who identify themselves as Black. In terms of our leadership positions in 2023, 32.8% of them were held by Black managers .

Similarly, in the UK we set ourselves targets for 2027: 25% ethnic minority employees and at least 15% in leadership positions. In 2023, over 75% of our employees voluntarily disclosed their ethnicity. Furthermore, in the same year, we published the ethnic pay gap at VMO2, which stood at 42.3%.

In order to close the pay gap and promote talent development, we have supported agreements, training and mentoring programmes to empower young people from ethnic minorities and boost their careers. One example of this is the Switch programme, which fosters leadership skills among Black professionals.

Also in the UK, we launched a pilot programme of zero tolerance towards racism and xenophobia in all customer service environments, improving training and reporting tools in the event of possible cases of discrimination.

In Germany, we work to integrate talent with a migrant background. Since 2023, Telefónica has been collaborating with 2hearts, a community of people with a migrant background who work or want to work in the technology industry. In addition, we have put in place mechanisms for the automatic and high quality translation of our intranet texts into the languages spoken in the main migrant communities in the country.

2.7.6.5. LGBT+

With regard to **LGBT+ diversity,** in 2023 we continued to strengthen our employee resource groups. In Hispanoamerica, through our Sostener network, we implemented six awareness-raising initiatives throughout the year. In Spain, our employee resource group was set up on an independent basis and, together with REDI, organised the largest meeting of LGBT+ employee resource groups in Spain, REDI to Connect Employees.

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 organised employability workshops for transgender people and specific awareness-raising sessions on this topic.

In Brazil, 8% of our employees have voluntarily declared themselves as LGBT+. We also exceeded our target of 100 transgender employees by 2023, reaching 111. We aim to increase this to 125 people in 2024. 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.

2.7.6.6. Awards

- The Bloomberg Gender Equality Index 2023 recognised Telefónica as one of the most world's most gender-equally committed companies, based on data from 2022, for the sixth consecutive year. Locally, Telefónica Germany and Telefónica Brazil were also part of the index

- The Financial Times recognised Telefónica as one of Europe's most inclusive employers in its 2023 Diversity Leaders ranking.

- Forbes World's Top Companies for Women list ranked Telefónica as one of the world's most gender equitable companies.

- Telefónica Móviles España, S.A. and Telefónica Soluciones de Informática y Comunicaciones de España S.A.U. won the Equality in the Company Award from the Institute for Women and Equal Opportunities (DIE).

- For yet another year, the IBEX Gender Equality Index selected Telefónica as one of the 53 Spanish listed companies with the greatest presence of women in senior management positions.

- Great Place to Work identified Telefónica Brazil as one of the best companies for women, for professionals over 50 and for LGBT+ people.

- In Brazil, we won the first *Melhores Empresas* Para o *Jovem Aprendizaward* in the large company segment.

- Also in Brazil, Telefónica was recognised by the Racial Equity Business Index as a company that promotes racial diversity in the labour market. In addition, the Ethos Institute considers Telefónica to be the most inclusive company with regard to Black people in Brazil and we have been recognised by the Business Initiative (IERE) for Best Practices in Racial Diversity there too.

- Women in Leadership in Latin - America (WILL) recognised our *Mulheres na Liderança* programme in Brazil.

- In Hispanoamerica we continue to be recognised by the PAR Ranking as being the best company in the sector for our practices aimed at closing gaps. In 2023, we formed part of the Inclusive Companies Ranking in Chile and Colombia.

- Employers for Youth improved Telefónica's position as one of the best employers for young people in several countries in Hispanoamerica, with the organisation now being the leading company in Uruguay. In addition, our company is one of the 10 most committed to youth in Latin America, according to the International Youth Organisation for Ibero-America (OIJ) and the International Organisation of Human Capital Managers (DCH).

- In the UK, VMO2 was recognised as one of the 100 most LGBT+ inclusive employers by Stonewall. We received a 2023 Bot Award, and we were also recognised by Henpicked for our efforts to promote a menopause-inclusive work environment.

- In the same country, we received an Early Careers Award from Personnel Today, and Job Crowd presented us with its Best Digital and Technology Apprenticeship and Graduate Employer awards. We also won its Best Apprentice Employer for Worklife Balance award.

Milestones

❶ We increased the presence of women on our Board of Directors to 40%.

❷ We enhanced our commitment to ethnic diversity and improved our indicators in this regard.

❸ We received a greater number of awards, both globally and locally, for our commitment to diversity and inclusion.

% Women in executive positions

31.3%
32.8%
37%

2022 2023 2027 target

Women on the Board of Directors

33%
40%
40%

2022 2023 2030 target
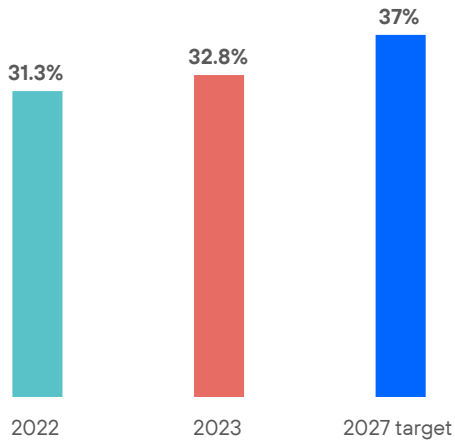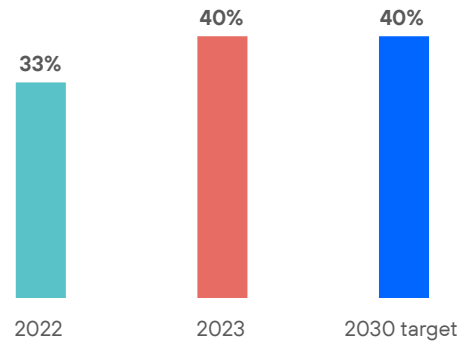
2.7.7. Staffing and diversity indicators

2.7.7.1. Structure of the Board of Directors
GRI 405-1

Members of the Board of Directors by gender and age range in 2023

Age range	Men	%	Women	%	Total	%
Over 50	8	89	4	67	12	80
From 35 to 50	1	11	2	33	3	20
Under 35	—	—	—	—	—	—
Total	**9**	**60**	**6**	**40**	**15**	**100**

Members of the Board of Directors by nationality in 2023

Nationality	No. of persons
Spanish	12
Brazilian	2
Austrian	1

2.7.7.2.Structure of the Executive Team[5]
GRI 405-1

Members of the Executive Team by gender and age range in 2023

Age range	Men	%	Women	%	Total	%
Over 50	13	93	3	100	16	94
From 35 to 50	1	7	—	—	1	6
Under 35	—	—	—	—	—	—
Total	**14**	**82**	**3**	**18**[6]	**17**	**100**

Members on the Executive Team by nationality in 2023[7]

Nationality	Number of members
Spanish	13
Brazilian	2
German	2
British	1
Argentinian	1
Colombian	1

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[5] The members of the Executive Team are all the members of the Executive Committee and, additionally, Lutz Schüler, CEO of VMO2.

[6] Considering only the members of the Executive Committee, the percentage of women stood at 19%.

[7] The total amounts to 20 members due to the fact that three members have dual nationality; Colombian and Spanish, Argentinian and Spanish and Brazilian and Spanish.

2.7.7.3. Staffing structure
GRI 2-7, 405-1

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

GROUP TOTAL		Over 50		From 35 to 50		Under 35		Total	
		2022	2023	2022	2023	2022	2023	2022	2023
Senior Management	Men	1,013	959	1,793	1,866	133	121	**2,939**	**2,946**
	%	5%	5%	6%	6%	1%	1%	**5%**	**5%**
	Women	383	365	1,003	1,079	84	83	**1,470**	**1,527**
	%	6%	6%	5%	5%	1%	1%	**4%**	**4%**
	Total	1,396	1,324	2,796	2,945	217	204	**4,409**	**4,473**
	%	6%	5%	6%	6%	1%	1%	**4%**	**4%**
Middle Management	Men	1,800	1,785	3,577	3,991	691	765	**6,068**	**6,541**
	%	10%	10%	12%	13%	4%	5%	**10%**	**10%**
	Women	521	517	1,859	2,086	528	549	**2,908**	**3,152**
	%	8%	8%	9%	10%	4%	4%	**7%**	**8%**
	Total	2,321	2,302	5,436	6,077	1,219	1,314	**8,976**	**9,693**
	%	9%	9%	11%	12%	4%	5%	**9%**	**9%**
Other Professionals	Men	15,669	14,943	23,690	24,860	15,275	14,502	**54,634**	**54,305**
	%	85%	84%	82%	81%	95%	94%	**86%**	**85%**
	Women	5,923	5,739	17,207	18,026	12,489	11,896	**35,619**	**35,661**
	%	87%	87%	86%	85%	95%	95%	**89%**	**88%**
	Total	21,592	20,682	40,897	42,886	27,764	26,398	**90,253**	**89,966**
	%	85%	85%	83%	83%	95%	95%	**87%**	**86%**
Total	Men	**18,482**	**17,687**	**29,060**	**30,717**	**16,099**	**15,388**	**63,641**	**63,792**
	%	**29%**	**28%**	**46%**	**48%**	**25%**	**24%**	**61%**	**61%**
	Women	**6,827**	**6,621**	**20,069**	**21,191**	**13,101**	**12,528**	**39,997**	**40,340**
	%	**17%**	**16%**	**50%**	**53%**	**33%**	**31%**	**39%**	**39%**
	Total	**25,309**	**24,308**	**49,129**	**51,908**	**29,200**	**27,916**	**103,638**	**104,132**
	%	**24%**	**23%**	**47%**	**50%**	**28%**	**27%**	**100%**	**100%**

13,608 employees under 30 years of age, of whom 6,275 are women and 7,333 are men.
63,363 employees between 30 and 50 years of age, of whom 26,340 are women and 37,023 are men.
The percentages in the table are calculated on the total, by gender, of each age range.
The employees of a Central American company are not included in the workforce information. They represent 0.009% of the total workforce of the Group.

GERMANY		More than 50		From 35 to 50		Under 35		Total	
		2022	2023	2022	2023	2022	2023	2022	2023
Senior Management	Men	92	91	91	93	2	2	**185**	**186**
	%	6%	6%	4%	3%	0.2%	0%	**4%**	**3%**
	Women	25	25	35	38	4	5	**64**	**68**
	%	4%	4%	2%	2%	0.5%	1%	**2%**	**2%**
	TOTAL	117	116	126	131	6	7	**249**	**254**
	%	5%	5%	3%	3%	0.3%	0.4%	**3%**	**3%**
Middle Management	Men	123	143	348	427	49	59	**520**	**629**
	%	8%	9%	14%	16%	4%	5%	**10%**	**12%**
	Women	34	39	112	145	20	29	**166**	**213**
	%	5%	6%	7%	9%	3%	4%	**5%**	**7%**
	TOTAL	157	182	460	572	69	88	**686**	**842**
	%	7%	8%	11%	13%	4%	4%	**8%**	**10%**
Other Professionals	Men	1,335	1,291	2,093	2,192	1,092	1,116	**4,520**	**4,599**
	%	86%	85%	83%	81%	96%	95%	**87%**	**85%**
	Women	633	607	1,406	1,520	752	766	**2,791**	**2,893**
	%	91%	90%	91%	89%	97%	96%	**92%**	**91%**
	TOTAL	1,968	1,898	3,499	3,712	1,844	1,882	**7,311**	**7,492**
	%	88%	86%	86%	84%	96%	95%	**89%**	**87%**
Total	Men	**1,550**	**1,525**	**2,532**	**2,712**	**1,143**	**1,177**	5,225	5,414
	%	**30%**	**28%**	**48%**	**50%**	**22%**	**22%**	63%	63%
	Women	**692**	**671**	**1,553**	**1,703**	776	800	3,021	3,174
	%	**23%**	**21%**	**51%**	**54%**	26%	25%	37%	37%
	TOTAL	**2,242**	**2,196**	**4,085**	**4,415**	**1,919**	**1,977**	8,246	8,588
	%	**27%**	**26%**	**50%**	**51%**	**23%**	**23%**	**100%**	**100%**

BRAZIL		Over 50		From 35 to 50		Under 35		Total	
		2022	2023	2022	2023	2022	2023	2022	2023
Senior Management	Men	175	166	840	875	102	96	**1,117**	**1,137**
	%	8%	7%	8%	8%	1%	1%	**6%**	**6%**
	Women	73	69	471	517	64	60	**608**	**646**
	%	8%	8%	7%	7%	1%	1%	**4%**	**4%**
	Total	248	235	1,311	1,392	166	156	**1,725**	**1,783**
	%	8%	8%	8%	8%	1%	1%	**5%**	**5%**
Middle Management	Men	238	228	1,107	1,183	376	369	**1,721**	**1,780**
	%	10%	10%	11%	11%	5%	5%	**9%**	**9%**
	Women	27	24	506	551	337	319	**870**	**894**
	%	3%	3%	7%	7%	4%	4%	**6%**	**6%**
	Total	265	252	1,613	1,734	713	688	**2,591**	**2,674**
	%	8%	8%	10%	10%	5%	5%	**7%**	**7%**
Other Professionals	Men	1,890	1,834	8,041	8,589	7,137	6,861	**17,068**	**17,284**
	%	82%	82%	81%	81%	94%	94%	**86%**	**86%**
	Women	806	803	5,806	6,299	7,245	7,059	**13,857**	**14,161**
	%	89%	90%	86%	86%	95%	95%	**90%**	**90%**
	Total	2,696	2,637	13,847	14,888	14,382	13,920	**30,925**	**31,445**
	%	84%	84%	83%	83%	94%	94%	**88%**	**88%**
Total	Men	**2,303**	**2,228**	**9,988**	**10,647**	**7,615**	**7,326**	19,906	20,201
	%	**12%**	**11%**	**50%**	**53%**	**38%**	**36%**	56%	56%
	Women	**906**	**896**	**6,783**	**7,367**	**7,646**	**7,438**	15,335	15,701
	%	**6%**	**6%**	**44%**	**47%**	**50%**	**47%**	44%	44%
	Total	**3,209**	**3,124**	**16,771**	**18,014**	**15,261**	**14,764**	35,241	35,902
	%	**9%**	**9%**	**48%**	**50%**	**43%**	**41%**	100%	100%

SPAIN		Over 50		From 35 to 50		Under 35		Total	
		2022	2023	2022	2023	2022	2023	2022	2023
Senior Management	Men	489	478	538	566	17	16	**1,044**	**1,060**
	%	6%	6%	8%	8%	1%	1%	**6%**	**6%**
	Women	201	194	330	351	10	11	**541**	**556**
	%	6%	5%	7%	7%	1%	1%	**5%**	**6%**
	Total	690	672	868	917	27	27	**1,585**	**1,616**
	%	6%	6%	8%	8%	1%	1%	**6%**	**6%**
Middle Management	Men	755	732	994	1,084	121	110	**1,870**	**1,926**
	%	9%	9%	15%	16%	5%	5%	**11%**	**11%**
	Women	289	290	598	633	71	75	**958**	**998**
	%	8%	8%	12%	12%	5%	6%	**10%**	**10%**
	Total	1,044	1,022	1,592	1,717	192	185	**2,828**	**2,924**
	%	8%	8%	14%	14%	5%	5%	**10%**	**11%**
Other Professionals	Men	7,462	7,395	5,026	5,268	2,129	2,154	**14,617**	**14,817**
	%	86%	86%	77%	76%	94%	94%	**83%**	**83%**
	Women	3,157	3,140	4,010	4,102	1,214	1,178	**8,381**	**8,420**
	%	87%	87%	81%	81%	94%	93%	**85%**	**84%**
	Total	10,619	10,535	9,036	9,370	3,343	3,332	**22,998**	**23,237**
	%	86%	86%	79%	78%	94%	94%	**84%**	**84%**
Total	Men	**8,706**	**8,605**	**6,558**	**6,918**	**2,267**	**2,280**	17,531	17,803
	%	50%	48%	37%	39%	13%	13%	64%	64%
	Women	**3,647**	**3,624**	**4,938**	**5,086**	**1,295**	**1,264**	9,880	9,974
	%	37%	36%	50%	51%	13%	13%	36%	36%
	Total	**12,353**	**12,229**	**11,496**	**12,004**	**3,562**	**3,544**	27,411	27,777
	%	45%	44%	42%	43%	13%	13%	100%	100%

HISPAM		Over 50		From 35 to 50		Under 35		Total	
		2022	2023	2022	2023	2022	2023	2022	2023
Senior Management	Men	229	208	291	301	12	6	**532**	**515**
	%	4%	4%	3%	3%	0%	0%	**3%**	**3%**
	Women	78	72	159	167	6	6	**243**	**245**
	%	5%	5%	2%	2%	—%	—%	**2%**	**2%**
	Total	307	280	450	468	18	12	**775**	**760**
	%	4%	4%	3%	3%	—%	—%	**2%**	**2%**
Middle Management	Men	625	629	1,034	1,208	124	206	**1,783**	**2,043**
	%	11%	12%	11%	12%	3%	5%	**9%**	**11%**
	Women	151	149	606	716	87	121	**844**	**986**
	%	10%	11%	9%	10%	3%	4%	**7%**	**9%**
	Total	776	778	1,640	1,924	211	327	**2,627**	**3,029**
	%	11%	12%	10%	11%	3%	5%	**8%**	**10%**
Other Professionals	Men	4,860	4,308	8,208	8,448	4,677	4,103	**17,745**	**16,859**
	%	85%	84%	86%	85%	97%	95%	**88%**	**87%**
	Women	1,282	1,147	5,877	5,985	3,177	2,781	**10,336**	**9,913**
	%	85%	84%	88%	87%	97%	96%	**90%**	**89%**
	Total	6,142	5,455	14,085	14,433	7,854	6,884	**28,081**	**26,772**
	%	85%	84%	87%	86%	97%	95%	**89%**	**88%**
Total	Men	**5,714**	**5,145**	**9,533**	**9,957**	**4,813**	**4,315**	20,060	19,417
	%	**28%**	**27%**	**48%**	**51%**	**24%**	**22%**	64%	64%
	Women	**1,511**	**1,368**	**6,642**	**6,868**	**3,270**	**2,908**	11,423	11,144
	%	**13%**	**12%**	**58%**	**62%**	**29%**	**26%**	36%	36%
	Total	**7,225**	**6,513**	**16,175**	**16,825**	**8,083**	**7,223**	31,483	30,561
	%	**23%**	**21%**	**51%**	**55%**	**26%**	**24%**	100%	100%

OTHERS		Over 50		From 35 to 50		Under 35		Total	
		2022	2023	2022	2023	2022	2023	2022	2023
Senior Management	Men	28	16	33	31	—	1	61	48
	%	13%	9%	7%	6%	—%	—%	7%	5%
	Women	6	5	8	6	—	1	14	12
	%	8%	8%	5%	4%	—%	1%	4%	3%
	Total	34	21	41	37	—	2	75	60
	%	12%	9%	7%	6%	—%	—%	6%	5%
Middle Management	Men	59	53	94	89	21	21	174	163
	%	28%	29%	21%	18%	8%	7%	19%	17%
	Women	20	15	37	41	13	5	70	61
	%	28%	24%	24%	25%	11%	4%	21%	18%
	Total	79	68	131	130	34	26	244	224
	%	28%	28%	22%	20%	9%	6%	19%	17%
Other Professionals	Men	122	115	322	363	240	268	684	746
	%	58%	63%	72%	75%	92%	92%	74%	78%
	Women	45	42	108	120	101	112	254	274
	%	63%	68%	71%	72%	89%	95%	75%	79%
	Total	167	157	430	483	341	380	938	1,020
	%	60%	64%	71%	74%	91%	93%	75%	78%
Total	Men	209	184	449	483	261	290	919	957
	%	23%	19%	49%	50%	28%	30%	73%	73%
	Women	71	62	153	167	114	118	338	347
	%	21%	18%	45%	48%	34%	34%	27%	27%
	Total	280	246	602	650	375	408	1,257	1,304
	%	22%	19%	48%	50%	30%	31%	100%	100%

Distribution of employees by nationality in 2023

Nationality	Employees (%)
Brazilian	34%
Spanish	26%
Argentinian	10%
German	7%
Colombian	6%
Peruvian	4%
Chilean	3%
Venezuelan	2%
Mexican	2%
Ecuadorian	1%
Uruguayan	1%
Other nationalities	3%

The figure of 3% for "Other nationalities" is made up of 98 nationalities.

Distribution of employees by nationality and professional category in 2023

Nationality	Professional Category	Employees
Brazilian	Senior Management	1,780
	Middle Management	2,686
	Other Professionals	31,415
Spanish	Senior Management	1,560
	Middle Management	2,826
	Other Professionals	22,824
Argentinian	Senior Management	181
	Middle Management	1,055
	Other Professionals	9,398
German	Senior Management	213
	Middle Management	682
	Other Professionals	6,101
Colombian	Senior Management	173
	Middle Management	690
	Other Professionals	5,675
Peruvian	Senior Management	132
	Middle Management	288
	Other Professionals	4,188

2.7.7.4. Diversity indicators
GRI 405-1

Gender diversity

Indicators	2022	2023
Women in the workforce	38.6%	38.7%
Women on the Board of Directors	33.3%	40.0%
Women in all management positions [8]	32.7%	33.0%
Women in executive positions	31.3%	32.8%
Women in senior management positions	33.3%	34.1%
Women in middle management positions	32.4%	32.5%
Women in other positions (non-management)	39.5%	39.6%
Women hired under 35 years of age	45.0%	45.0%
Women on the Executive Committee	17.6%	17.6%

Employees with disabilities

Indicator	2022	2023
People on the staff with disabilities	1,482	2,572

Young employees

Indicator	2022	2023
Under 35	28%	27%[9]

[8] Includes senior management (executive and upper management positions) and middle management.

[9] Although the number of new hires (63% of the hires were under 35) exceeds the number of leaves (50%), the figure is slightly lower in 2023 because a significant number of employees reached the age of 35 over the course of the year.

Cultural diversity by region

Region	Employees		Nationalities		Women		Men	
	2022	2023	2022	2023	2022	2023	2022	2023
Germany	8,246	8,588	79	81	57	60	69	67
Brazil	35,241	35,902	27	25	15	12	25	23
Spain	27,411	27,777	54	56	40	40	43	45
Others	1,257	1,304	49	51	32	33	44	45
Hispam	31,483	30,561	35	32	23	23	30	27
Group Total	**103,638**	**104,132**	**107**	**109**	**82**	**86**	**101**	**99**

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.

2.7.8. 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

Professional Category	Age range	Total average remuneration[10]				Pay Gap			
		Women		Men		Base Salary (%)		Total Remuneration (%)	
		2022	2023	2022	2023	2022	2023	2022	2023
Group		**33,372**	**35,905**	**42,631**	**45,280**	**15.62%**	**15.02%**	**16.80%**	**16.14%**
Senior Management	Over 50	163,410	169,928	197,650	199,885	13.54%	12.70%	17.32%	14.99%
	From 35 to 50	97,592	107,340	111,352	118,053	8.60%	7.03%	12.36%	9.07%
	Under 35	63,987	74,467	64,820	71,974	0.02%	-7.85%	1.29%	-3.46%
Middle Management	Over 50	70,969	78,274	67,178	71,059	-7.17%	-12.80%	-5.64%	-10.15%
	From 35 to 50	49,005	50,432	52,424	54,756	5.22%	5.93%	6.52%	7.90%
	Under 35	28,869	30,025	34,598	34,466	17.58%	13.98%	16.56%	12.88%
Other Professionals	Over 50	49,308	52,795	53,152	55,946	5.90%	4.10%	7.23%	5.63%
	From 35 to 50	29,904	30,938	33,968	35,955	10.38%	12.16%	11.96%	13.95%
	Under 35	17,153	19,430	21,316	23,888	20.72%	19.63%	19.53%	18.66%

Maintaining our commitment to transparency from previous years, we publish results taking into account all salary concepts paid during the year.
The average remuneration of Telefónica's employees, regardless of gender, age and professional category, amounts to €41,676.
The classification of the professional categories is equivalent to:
• Senior management: executive level.
• Middle management: management level.
• Other professionals: non-management level.

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[10] For the purposes of reporting the average total remuneration of all Telefónica Employees, all senior management positions at the Company have been grouped under the same category of "Senior Management". This includes executives and upper management, 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 average total remuneration includes all salary items paid during 2023, where applicable. These concepts are total base salary, bonuses, commissions and commercial incentives, long-term incentives and benefits in-kind, including social benefits, accrued over the year.

Total Average Remuneration Ratio relative to the Executive Chairman (CEO) in 2023

Executive Chairman (CEO)	Total average remuneration ratio
6,808,941	96:1

Average remuneration is estimated considering employees based in Spain. The reported salary of these employees considers the remuneration actually paid during 2023 (cash basis), not those that may have been accrued but are paid in subsequent years. For this reason, and in order to compare homogeneous concepts, we show the remuneration actually paid during the year 2023 of the highest paid person.

If we had applied the same methodology last year (2022), the result would have been 106:1 (instead of 103:1, reported data).

Total Average Remuneration of Directors by gender[11]

Directors	Women		Men	
	2022	2023	2022	2023
	223,863	238,813	1,495,138	1,464,759

➕ For further information, see 5. Annual Report on Remuneration of the Directors

Ratio of minimum wage paid in Telefónica to local minimum wage

Country	Women	Men
Germany	1.00	1.00
Argentina	1.67	2.39
Brazil	1.09	1.15
Chile	1.40	1.40
Colombia	1.12	1.12
Ecuador	1.08	1.08
Spain	1.00	1.00
Mexico	1.19	1.19
Peru	1.00	1.00
Uruguay	1.92	1.92

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[11] The remuneration of senior management is not broken down by sex, for reasons of data protection and confidentiality, as there is only one woman in this group.

2.7.8.1. Gender pay gap

Gross and adjusted pay gap

Country	Employees		% Men		% Women		Gross Gap		Adjusted Gap [12]	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Group Total [13]	**101,227**	**101,627**	**62%**	**62%**	**38%**	**38%**	**16.80%**	**16.14%**	**0.74%**	**0.71%**
Germany	7,544	7,795	64%	63%	36%	37%	20.19%	18.26%	2.11%	1.48%
Argentina	11,206	10,694	67%	67%	33%	33%	6.00%	5.57%	0.04%	0.34%
Brazil	34,823	35,440	57%	56%	43%	44%	23.37%	22.73%	0.85%	1.05%
Chile	4,181	3,764	71%	70%	29%	30%	10.31%	11.68%	0.80%	0.40%
Colombia	6,236	6,257	59%	59%	41%	41%	13.00%	12.63%	0.26%	0.10%
Ecuador	961	967	61%	61%	39%	39%	20.16%	19.35%	-0.41%	0.66%
Spain	27,404	27,767	64%	64%	36%	36%	14.42%	13.50%	1.87%	1.90%
Mexico	1,797	1,745	63%	63%	37%	37%	16.68%	13.43%	-0.69%	-0.79%
Peru	4,615	4,550	66%	66%	34%	34%	7.72%	6.99%	0.74%	1.16%
Uruguay	606	673	50%	51%	50%	49%	33.35%	27.87%	1.89%	0.81%
Others [14]	1,854	1,975	69%	69%	31%	31%	30.97%	32.25%	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 active employees in Telefonica Group as at 31 December of the analysed 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.

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[12] The adjusted gender pay gap is calculated using a mathematical regression model that relates total average employee pay to other factors in addition to gender, such as country, professional category, functional area in which the employee is working, length of service, legal entity and the working hour format (full-time or part-time).

[13] Information for all Telefónica Group countries except Venezuela, due to its hyperinflation economic situation.

[14] The "Others" category covers: Bolivia, Belgium, China, Denmark, Estonia, France, Greece, Holland, Hungary, Ireland, Italy, Luxembourg, Poland, Portugal, Puerto Rico, UK, Romania, Sweden, Switzerland and the USA.

2.7.9. Bloomberg Gender Equality Index

Indicator	Company Response	Source
Gender balance in board leadership (% of committees of the Board of Directors led by a women)	0%	2.7.5. Action plan and commitments
Woman chief financial officer (CFO) or equivalent	Yes	2.7.5. Action plan and commitments
Chief diversity officer (CDO)	Yes	2.7.5. Action plan and commitments
Percentage of women total promotions[15]	Yes, 46.0%	2.7.5. Action plan and commitments
Percentage of Women IT/Engineering (% Women in STEM positions)	Yes, 22.6%	2.7.5. Action plan and commitments
Percentage of new hires are women	Yes, 43.6%	2.6. Attraction, retention and talent development
Percentage of women attrition	Yes, 42.8%	2.6. Attraction, retention and talent development
Time-bound action plan with targets to increase the representation of women in leadership positions	Yes	2.7.5. Action plan and commitments
Time-bound action plan with targets to increase the representation of women in the company	Yes	2.7.5. Action plan and commitments
Time-bound action plan to close its gender pay gap	Yes	2.7.5. Action plan and commitments
Number of weeks of fully paid primary parental leave offered	Yes	2.6. Attraction, retention and talent development
Number of weeks of fully paid secondary parental leave offered	Yes	2.6. Attraction, retention and talent development
Back-up family care services or subsidies through the company	Yes	2.6. Attraction, retention and talent development
Percentage of women on company board	40.0%	2.7.7. Staffing and diversity indicators
Percentage of women executive officers (Executive Committee)	18.8%	2.7.7. Staffing and diversity indicators
Percentage of women in total management	33.0%	2.7.7. Staffing and diversity indicators
Percentage of women in senior management	34.1%	2.7.7. Staffing and diversity indicators
Percentage of women in middle management	32.5%	2.7.7. Staffing and diversity indicators
Percentage of women in non-managerial positions	39.6%	2.7.7. Staffing and diversity indicators
Percentage of women in total workforce	38.7%	2.7.7. Staffing and diversity indicators
Employee resource groups for women	Yes	2.7.5. Action plan and commitments
Unconscious bias training	Yes	2.7.5. Action plan and commitments
Annual anti-sexual harassment training	Yes	2.7.5. Action plan and commitments
Flexible working policy	Yes	2.8. New ways of working

[15] Promotions to executive positions.

2.8. New ways of working

Key points

65%
of our total workforce has adopted our hybrid work model.

81%
of our employees feel they have a good work-life balance.

94%
of our employees consider that the hybrid-flexible working system enables them to be more productive.

2.8.1. Vision

Technology is the essential enabler to drive the culture of working from anywhere. It also promotes a shift in the approach to searching for and retaining human talent. This is why, at Telefónica, we remain committed to a hybrid working model (on-site and remote) across the Group, which combines the best of both worlds. In general, we set **a minimum percentage for on-site working and a maximum percentage for remote working**, adjusted to the different labour laws in the countries in which we operate and, whenever possible, depending on the nature of the position.

Our hybrid, flexible and digital work model seeks to boost team commitment and satisfaction while preserving our 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 strive to make it a reality. These efforts are clearly reflected in the results from our annual motivation survey, according to which 81% of our employees feel they have a good work-life balance. Thanks to our digital disconnection awareness initiatives, plus the new ways of working we had put in place prior to the pandemic, this percentage has risen by 13 points since 2019.

Telefónica is improving the compatibility of different 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 make them more digital, flexible and collaborative, in addition to a **commitment to digital disconnection** (Telefónica was a pioneer in this regard following an agreement signed in 2019 with trade union organisations) **and the physical and emotional well-being** of our people, a part of this new work model.

The leadership style and our culture also play a key role in this transformation.

2.8.2. Targets

The key target for this new way of working is to boost employee commitment and loyalty while evolving 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 to be a driving force behind working models in which values such as well-being, flexibility, work-life balance, co-responsibility and equal opportunities are paramount.

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

Furthermore, through our commitment to flexibility, we reduce commuting and, consequently, its environmental impact. The move to adopt this hybrid working model was also prompted by our goal of reducing our environmental footprint (in line with the target of achieving net zero emissions by 2040).

2.8.3. Impacts, risks and opportunities

Technological development and globalisation are redefining the way people work and creating a rapidly changing environment that requires rapid responses.

At Telefónica we are aware of the negative **impact** that these new ways of working can have on the health and safety of our employees. Difficulties achieving digital disconnection or a potential lack of equipment or training are the main reasons behind this. However, we believe that new technological tools provide an **opportunity** to develop hybrid, flexible and collaborative working models that promote a healthy work-life balance with measures that encourage learning, disconnection and productivity are needed.

2.8.4. Action plan and commitments

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

We continue to work on the implementation of more liquid and flexible organisational models that foster the empowerment of teams and support business activity, within a context of process simplification based on an end to end and project-based work approach.

2.8.4.1. How we lead

This new hybrid and flexible context has led to far-reaching changes in our leadership and our culture which 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 reorganise 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, conversation and productivity.

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

2.8.4.2. Digitalised 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 technologically equipped to serve the hybrid model.

One clear example of these adapted spaces is the Campus Universitas located at Distrito Telefónica (Madrid), within the Innovation and Talent Hub. It boasts 2,000 square metres and the latest technology for in-person and remote training, including live-streaming services, multi-purpose spaces and recording studios.

Furthermore, we strive to enrich the vending machine corners and relaxation spaces at our offices to provide a cosy atmosphere that allows us to 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 stay on top of the latest news and 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 on good terms and conditions. Additionally, we have created spaces to promote emotional well-being and virtual cafés where we encourage networking.

Furthermore 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.

2.8.4.3. Work-life balance
GRI 3-3

We developed the hybrid model by focusing on the employee and his or her family and by looking out for their digital health.

In order to reinforce 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 organise teamwork in the best possible way.

In the same vein, in Spain the Company is a member of the *Yo No Renuncio* association, a network of companies committed to work-life balance and co-responsibility.

We encourage **co-responsibility** for care among our male and female employees through awareness initiatives, It has been proved that cultures in which the weight of family and domestic responsibilities falls mainly on women are detrimental to their development and prevent 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 should not be sent and those at which replies are not expected (except under exceptional circumstances), as well as guidelines on planning and organising 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 2.9. Safety, health and well-being at work

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

The food subsidy for employees with children, benefits pertaining to nursery fees, personal days and maternity and paternity leave, which often exceed the minimum levels required by law, are factors which help our employees attain a good work-life balance.

Within this hybrid model, our employees can decide where they work (remote working, working from home or working from their second home), provided the employee is located in the same country where they signed the employment contract.

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

2.8.4.4. Labour relations. Social dialogue
GRI 3-3, 402-1

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

We ensure that **worker representatives** receive fair and discrimination-free treatment and that all the tools they need to be able 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 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 event of any **significant organisational 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 included in collective bargaining agreements or policies.

Trade union activity

We reaffirm the important role played by trade unions in defending the interests of workers and we recognise the 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 recognise trade unions that meet the terms and conditions set by ILO Convention 87, and always in accordance with local legislation.

Voluntary redundancy program

With the aim of tailoring our workforce to the needs of the business, in 2023 we defined a number of different procedures that would enable us to conduct streamlining processes in 2024, if necessary, within the organisations where they might be required. These procedures are discussed with worker representatives with the goal of reconciling the interests of the Company and the individuals who may be affected.

In Hispanoamerica, 421 workers participated in a voluntary redundancy plan (the *Plan de Desvinculación Voluntaria,* or PDV), 81% of whom corresponded to our operation in Argentina.

At Telefónica Spain, negotiations took place with the main trade unions regarding a redundancy plan (in the form of an *expediente de regulación de empleo,* or ERE), in order to adapt the size and skills of the workforce to the Company's needs. The plan will be executed in 2024.

2.8.4.5. Outplacement programs
GRI 404-2

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.

2.8.5. Progress en 2023

2.8.5.1. New work model

In 2023, 65% of our employees took advantage of our **hybrid work model,** which is flexible and adapts to the needs of both the individuals involved and the Company. It also makes it possible for them to work from anywhere in the country, and even from their second homes. This option can be revoked by either party.

- Some 94% of our employees consider that this hybrid-flexible working system enables them to be more productive.

- Among our employees, 81% (up seven percentage points compared to 2021) believe that our Company promotes a good work-life balance.

- In 2023, agile work methods were used in all Group units: 52% of employees claim that they use some kind of agile framework (scrum, kanban, design thinking, lean thinking, etc.).This is an increase of eight percentage points since 2022.

- Each country has its own program for **lifelong learning of digital and business skills.**

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

Spain - Digital Reskilling - a programme to develop digital skills such as O365, data modelling and visualisation, and process automation. This open program is voluntary and has welcomed over 3,600 employees, earning an average satisfaction rating of 8.7.

Germany - Digital Basics Programme - imparts basic knowledge about new technologies and the major trends in digitalisation. The core topics in 2023 were the metaverse, automation and artificial intelligence (AI). Since its launch, more than 3,800 employees have taken part in the programme.

Hispam - the "Soy y Pienso Digital" training path, in which over 9,000 workers participate through the Experiencia Digital Udemy, Digital Transformation Week, CX Week and our Devops Days.

In 2023, in Hispanoamerica, we developed **"Connect with your digital well-being"**, which sets out a series of measures:

- Promotion among our employees of the practice of disconnecting, as they often need to hold meetings with others based in regions with different time zones and customs. To this end, we encouraged the practice of blocking off particular periods in their schedules, such as bank holidays and rest times (e.g. lunch). Over 10,000 employees have reserved spaces in their schedules to ensure they can disconnect.

- Creation of a guide to disconnecting (along the same lines as above), which has been viewed by more than 3,500 employees. The guide contains information about time zones, bank holidays and other holidays, and typical holiday periods for a range of different countries, to ensure respect for their rest periods.

- Efficient meetings, providing a number of tips and best practices to achieve this.

2.8.5.2. How we lead

In 2023 we ran the following leadership programmes, which are helping to evolve our leadership model by adapting to the challenges posed by the new ways of working.

Leadership programmes

Region	Initiative	Description
Brazil	TechMind	Development programme to raise awareness and accelerate knowledge and skills in disruptive technologies, transforming Vivo's senior managers into tech-savvy leaders. Participants consisted of over 1,500 individuals in leadership positions.
Spain	Breaking Point	Development initiative to enable those in leadership roles to reinvent themselves and become drivers of a shift towards a high-performance culture in our teams. Designed for all those in leadership positions, it earned 4.9 stars (out of a possible five).
Hispam	Hispam - Master Líder	Our program tailored to developing the skills of leaders so they can meet the demands of the digital world. It has welcomed nearly 2,500 people in leadership positions.

We also ran team leadership courses 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.

2.8.5.3. Digitalised environment

In 2023, 100% of our employees had access to Office 365 and Microsoft Teams to facilitate collaboration in a digital environment. Furthermore, the entire workforce (100%) had a laptop computer. In terms of our corporate social network (Workplace), 63% of employees were active on this platform in 2023 (up from 60% in 2022).

2.8.5.4. Social dialogue
GRI 403-4

In late 2023, we were involved in the negotiation of the III Collective Bargaining Agreement between Telefónica Spain, Telefónica Móviles and Telefónica Soluciones (CEV) and the leading trade unions, UGT and CCOO.

The agreement will enable us to, inter alia, continue our commitment to retaining and attracting the best talent, invest in our workforce's development of cutting-edge skills (through reskilling) and place Telefónica Spain at the forefront of new ways of working and work-life balance, based on the concepts of autonomy, responsibility and contributions to results.

In mid-2023, we entered into the I Collective Bargaining Agreement for the Telefónica Global Units in Spain with the UGT, CCOO and CGT trade unions. The agreement will remain in force until 2024.

The agreement pursues three very clear objectives:

a. Achieving progress in building a common employment framework for all the entities that make up the Global Units.

b. Fostering simpler and more agile mobility within the Global Units.

c. Reaching the best agreement on pay reviews.

In Brazil, 76 agreements were reached with trade unions in 2023.

Percentage of all employees covered by collective bargaining agreements

GRI 2-30

Country	2022	2023
Germany	86%	86%
Argentina	80%	79%
Brazil	94%	94%
Chile	72%	64%
Spain	54%	55%
Peru	30%	30%
Group Total	**66%**	**66%**

100% of Telefónica's employees were covered by a labour framework regulating their working conditions.

Milestones

❶ We increased the percentage of employees who use an agile working framework by 8 p.p., to 52%.

❷ According to the Annual Climate Survey, the opinion of our employees on their work-life balance continued to improve, reaching 81%.

❸ For yet another year, the perception among our employees regarding the hybrid work model remained highly positive.

2.9. Safety, health and well-being at work

Key points

81%

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

73%

of our employees are covered by a certified (ISO 45001 or OHSAS 18001) occupational health and safety management system, 33 p.p. higher than in 2022.

x2

the number of awards earned thanks to our commitment, efforts and results regarding occupational risk prevention.

2.9.1. Vision

We continue to build a positive, person-oriented culture of health, safety and well-being with a holistic approach (workplace environment, mental well-being, the promotion of health, physical activity and healthy eating) to self-care and care for others.

Our goal is to achieve safe and healthy working environments designed to make a positive contribution to people's health. We do this through:

- **Improving psycho-social health** through psycho-social risk response and prevention programs. Psycho-social risk assessments, which are part of these programs, can enable us to reach a diagnosis.

- **Reducing the accident rate**. We want to be a zero-accident company. In this respect, we have the target of not exceeding the accident frequency rate set at each operator. In the case of Telefónica Spain, it is <5.

2.9.2. Governance

The Sustainability and Regulation 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

Telefónica promotes occupational safety, health and well-being, as stated in our Responsible Business Principles. At a global level, we draw up a common approach to this issue via our **Health, Safety and Well-being Regulation** and this is implemented through specific policies or regulations in each of the countries where we are present, based on the local regulations in each country.

We are committed to:

Identifying hazards and assessing risks in order to prevent incidents at work and occupational illnesses.	Ensuring compliance with local regulations and international standards.	Promoting information, participation and queries on the part of 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. Impacts, risks and opportunities

In the current climate of uncertainty, the various social, political and economic crises can affect people's mental and physical health. Changes to the way we work – via virtual communication and hybrid models, among others – can give rise to psycho-social **risks** (isolation, information overload, hyperconnectivity, stress and anxiety) that affect our employees' performance This in turn may have an economic **impact** on the organisation.

Therefore, our commitment to the safety, health and well-being of our employees is essential for them to feel supported and protected. Also, it is key to enabling them to do their jobs in satisfactory working conditions. For these reasons, Telefónica regards health and safety as a priority human rights issue.

➕ For further information, see 2.14. Human Rights

We endeavour to ensure a healthy and safe environment by providing training on health and safety and actively promoting the physical and emotional well-being of our employees. Doing so also represents an **opportunity** to reduce costs by preventing workplace accidents and occupational diseases.

In addition, Telefónica's presence in different countries and settings generates local impacts, opportunities and risks. That is why health, safety and well-being issues are managed in a predominantly local manner.

2.9.5. Action plan and commitments

2.9.5.1. Management systems: prevention of work-related accidents and occupational diseases
GRI 403-1, 403-2

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

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

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

In Spain, risk identification is performed in various ways: specific reports are produced to analyse a given situation; risk assessments are conducted in workplaces; and accidents are investigated. The results of this technical activity are included in a "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 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 is 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 Manual 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.

2.9.5.2. Occupational health services
GRI 403-3

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 programs, mental health (psychologists), nutrition, physiotherapy, meditation, primary healthcare (Einstein Clinic), pregnancy programs, exercise in the workplace, chronic disease management, telemedicine, executive health check-ups, etc.

Most of our workplaces have an **on-site medical service;** 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.

2.9.5.3. Training and worker representation
GRI 403-4, 403-5

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.

With regard to people with HIV and AIDS, in addition to our explicit commitment to non-discrimination in the Global Diversity and Inclusion Policy, we conduct training and awareness-raising activities on the subject locally.

Worker representation and participation
GRI 3-3

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; 88% 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.

2.9.5.4. Promotion of employees' health
GRI 403-6

In line with our **goal 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 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 any incidents and concerns they have. This is reflected in the annual climate survey, in which 81% feel that Telefónica supports employee well-being.

This recognition is a product of our perseverance. Since 2015, we have had global guidelines in place for local implementation, based on programs that are adapted to the situation in each country where the individual lives and works, both in the workplace and outside of it, while also dealing with 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. Therefore, **we 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 (armed conflicts, energy crisis, inflation, etc.).

As part of our commitment to well-being throughout our operations, we can highlight the following programs:

Main well-being initiatives at Telefónica at a global level

Germany
Mental Health Challenge

Spain
Healthy Movement

Hispam
Conecta Digital Well-being

Brazil
Well-being Festival

81%
eNPS question about well-being
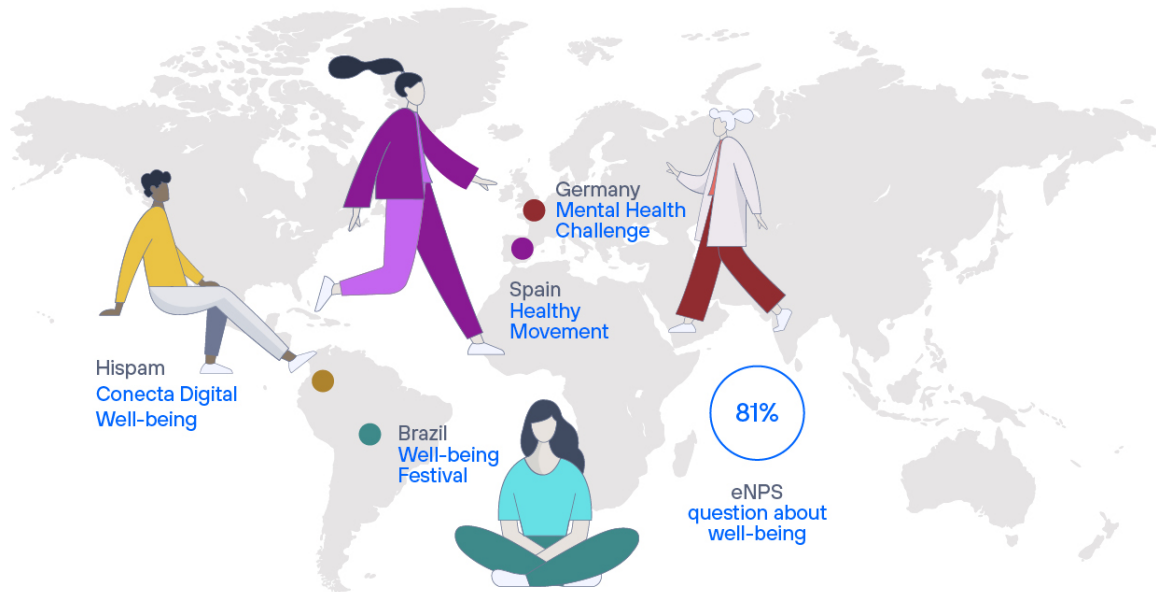
Committed to well-being: Well-being festival in Brazil in figures

Duration	**Scope**	**Activities**	**Awareness-raising**
1 week	**33,000+ participants around the country**	**2,000+**	**Internal** (Workplace BR-Vivo, SMS, Intranet, etc.)
		Electrostimulation, acupuncture, spinning, meditation, volleyball, football, tennis, mindfulness.	➜ 74 posts ➜ 96,733 views ➜ 1,856 comments ➜ 4,495 reactions

Psycho-social health programs

Country	Program	
Brazil	Conte Conmigo	Support from social workers and psychologists, with free sessions about social, psychological, psycho-pedagogical, legal and financial help, both in-person and online.
Spain	Programa de Salud y Bienestar. Equipo clínico de Atam	We have a podcast which deals exclusively with mental health. In addition, weekly online meditation breaks are conducted, geared towards improving employees' mental health.
Germany	Feel Good Balance	Includes relaxation, stress management and resilience courses.
Colombia		A psycho-social risk program is in place. Employees also have access to guidance and support from psychologists through the 1DOC3 service.
Peru		There is a psycho-social monitoring and assessment program. Based on the results of the assessments, talks are provided on managing stress and emotions and ongoing support is provided by social workers.
Chile	Programa Preventivo Burnout	Through this scheme, we undertake approximately 3,500 interventions each year
Venezuela	Servicio de Psicología Ocupacional	Monitoring of psycho-social risks. Psychological support through consultations. Activities and training related to anxiety and emotional intelligence, among others.

Through all these programs, we promote initiatives that aim to raise awareness of aspects such as nutrition, health, physical activity and emotional well-being while helping us 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 mental healthcare as a cornerstone for the well-being of our employees.

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

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

To complement these activities, we help build environments that promote a greater quality of life and greater comfort by providing 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.

2.9.5.5. Commitment to our suppliers
GRI 403-7

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 we therefore focus on promoting and reinforcing best practices in occupational health, safety and well-being when working with them. This is reflected in theœœ (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**, drawn up to develop an exceptional benchmark standard in our sector and 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 with regard to stakeholders and society in general.

- The importance of sustainability for progress by society and reducing the impact from our activity and from that of 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.

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.

2.9.6. Progress in 2023

2.9.6.1. Management system
GRI 403-8

97% of our employees are currently covered by a health, safety and well-being management system. Of those, 73% are covered by a certified system (based on ISO 45001 or OHSAS 18001 standards). This percentage has risen significantly compared to 2022 due to the scaling up of certifications in Brazil.

In 2023, in Brazil, we expanded the ISO 45001 certification to the southern provinces (Paraná, Santa Catarina and Rio Grande do Sul), bringing the proportion of workers covered to 70%. In the same year Spain renewed its ISO 45001 certification.

Over 2023, we focused on digitalising workforce management and integrating employee occupational health information into a single tool, setting a standard for reporting and consolidating employee occupational health data. This allows the entire company to report information through a single, centralised and auditable tool, applying automatic quality rules and consolidating indicators according to common criteria, enabling overall monitoring.

2.9.6.2. Awareness and prevention

We once again organised Well-Being Week in several countries in 2023, during which we shared content on emotional health, physical activity, healthy eating, self-knowledge and happiness. We also organised a month dedicated to mental health.

- On a global level, the Telefónica Group's annual health and safety day was held in June 2023. This space allowed us to share health and well-being experiences and to make progress together towards a culture of prevention.

- Each local market delivers training courses on occupational risk prevention (ORP) for its employees. Only in Spain, more than 40,000 employees completed a total of 83,219 hours of training in this area.

- In Spain, our health and well-being channel (which offers numerous activities and talks on well-being and emotional, physical and nutritional health) had over 2,500 members in 2023. Life purpose, cancer prevention, allergies, improving sleep and many other topics were discussed in order to support self-care. As a new development, we launched a podcast specifically aimed at mental health called "Entiende Tu Mente" (Understand Your Mind). **Over 13,000 people participated in the various health campaigns, an increase of 62.5% compared to 2022, with the initiatives maintaining the previous year's average rating of 4.87 out of 5.** Those most highly rated by our

employees were Neuroscience Applied to Well-Being, Skin Care and Understanding Your Brain.

- In Brazil, more than 40 programs focused on caring for the **mind** and understanding emotions were given during the year, including Caring for Those Who Care, Quality of Sleep and Recognising Emotions. Furthermore, among our prevention initiatives, we organised a flu vaccination campaign that covered over 25,000 employees and we launched programs for quick massages at work and workplace exercises. We also used the Einstein Conecta app to roll out an online physiotherapy scheme, which allows employees to look after their musculoskeletal health. Another successful venture was our Well-Being Festival, which highlighted practices that help us feel good and attracted over 33,000 people.

- In Germany, the **O₂ Telefónica Feel Good** health app was expanded to include preventive health proposals and access to the Feel Good programme. In addition, as part of a health campaign, the Company again offered executives innovative training to boost their mental health.The training addressed how managers can recognise and deal with mental health problems among their employees, including in situations where the manager and employee are working in different locations.

- In 2023, we provided awareness-raising and prevention activities on various health issues (menopause, prostate and testicular diseases and thyroid and cardiovascular diseases) to all our operators. We also provided hearing health programmes, skincare programmes to prevent melanoma, ophthalmology campaigns and flu vaccinations.

- We also approached the issue of **addictive behaviours** under the various prevention programmes we have in place in most countries. We did this through information campaigns, talks, conferences and workshops given by specialists on the topic. For example, the Priority programme in Chile helps to combat addictive behaviours and promotes healthy habits. Colombia has a policy related to discouraging the consumption of alcohol, tobacco and psychoactive substances.

2.9.6.3. Work-life balance

In 2023 we continued to work on initiatives related to promoting a healthy work-life balance:

- In Germany, the famPlus programme expanded the scope of health promotion services through digital solutions that support employees in all areas, especially with regard to balancing time spent at work with time with their families. Virtual children's workshops were held to provide a variety of activities such as painting, yoga and quiz games aimed at children between six and 12 years of age. The programme also included a baby

sleep seminar, as well as sessions on the psychosocial development of children and adolescents in order to help participants recognise possible disorders and provide advice on the use of social media. Other new features consisted of virtual counselling services for personal development, as well as care for older people. All the live events were recorded and made available through a media library to be accessed anytime and anywhere.

- We offer our employees in Germany a wide range of digital programmes to help them exercise, eat healthily, reduce stress and foster burnout prevention, and strengthen their resilience. In June 2023 we launched the Feel Good app, which has been used by 2,288 employees.

- Brazil offered *Vivo mais familia,* a support programme for the arrival of a new family member, which provides a boost to emotional balance and well-being, as well as physical and mental health advice for all employees and their dependents. It also offers clinical, psychological and nutritional care for mothers, as well as informative pregnancy-related content. The programme includes support for parents during adoption procedures too. **There are currently 1,185 registered members and 834 active participants, and it has earned an NPS of 98**. In addition, over 6,000 family members participated in Family Day, which was held as part of the Well-being Festival initiative.

- Colombia has a programme called Quality of Life, which is aimed at all workers, including students and interns. The goal of the programme is to offer benefits in line with the interests, tastes and needs of employees. It is made up of two initiatives. First, there is **ONE Benefits**, a credits program that allows employees to schedule their Company benefits at a time convenient to them, so that they can disconnect and enjoy their free time away from the office. **78%** of workers have scheduled at least one benefit. There is also **Movistar Moments**, a credits programme that allows users to obtain experiences and/or products that they can enjoy with colleagues, family and friends. It also includes talks, workshops, competitions and sports tournaments for employees and for children, fathers, mothers and friends. **70%** of employees have enjoyed at least one product/experience.

- In Spain, we joined forces with the Yo No Renuncio Association on an in-depth internal diagnosis to understand employee views on what makes a good work-life balance and the barriers to achieving it in the Company. The results will be used to make further progress towards excellence in this field.

We also work with various suppliers that offer solutions aimed at improving work-life integration for our employees, making their day-to-day life easier by providing advice on legal, financial and tax matters, and

travel and hotels, and even providing help finding domestic services, among other things.

In 2023, we not only gained in experience and well-being, but we also grew as a community. Each country has its own workplace well-being community that is gaining more followers and participants every year. One example is the health and well-being channel in Spain, whose membership expanded by 32% during the year.

2.9.6.4. 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 on a separate basis, all of them establish recommendations and offer support on ergonomic aspects and occupational health and safety. In Germany, there is a risk assessment procedure for teleworking situations, training on health and safety in remote working environments and the Feel Good programme's online options, as well as the family service. In Spain, we provided training courses on occupational risk prevention (ORP) to the entire teleworking workforce, as well as recommendations on working from home safely (physically and mentally). Ergonomics kits were issued.

We also promote the creation of cardio-protected spaces. We have installed defibrillators in the workplaces of our main operators. In Spain alone, there are currently a total of 33 defibrillators located in the main workplaces.

2.9.6.5. Recognition

- Spain. At the Health and Business awards, RRHH Digital placed Telefónica among the top 10 companies that promote well-being in the workplace. As a result, the Company received an Accesit award.

- Brazil won first prize at the Vittude Awards in the best mental health project category.

- Germany. Corporate Health Management presented Telefónica with a Special Award for Health Communication and included the Company in the Excellence category at the 2023 Corporate Health Awards.

- Chile won first place in the Large Corporations category as the leading corporation in terms of work-life balance, awarded by the Chile Unido Foundation.

Milestones

❶ We completed the psycho-social risk assessment process at all our operators.

❷ We digitalised the process for providing workers with occupational health information and incorporated it into our global tool.

❸ We strengthened and expanded our initiatives to promote work-life balance for employees.

2.9.7. Main occupational health and safety at work indicators[1]
GRI 3-3, 403-8, 403-9, 403-10

	Germany		Brazil		Spain		Hispam[2]		Others		Group	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Number of hours worked (TOTAL)	14,602,833	16,306,819	65,516,000	68,510,545	54,487,829	53,759,723	61,166,302	61,794,166	2,123,004	2,572,113	197,895,968	202,943,366
Number of hours of absenteeism (men)	3,608	944	30,184	12,840	22,216	14,432	116,920	65,792	0.00	0.00	172,928	94,008
Number of hours of absenteeism (women)	1,184	1,832	3,160	2,472	8,192	9,744	11,256	7,680	0.00	0.00	23,792	21,728
Number of hours of absenteeism TOTAL	4,792	2,776	33,344	15,312	30,408	24,176	128,176	73,472	0.00	0.00	196,720	115,736
Absenteeism rate (men)	0.04	0.01	0.08	0.03	0.06	0.04	0.30	0.17	0.00	0.00	0.14	0.07
Absenteeism rate (women)	0.02	0.03	0.01	0.01	0.04	0.05	0.05	0.03	0.00	0.00	0.03	0.03
Absenteeism rate TOTAL [3]	**0.03**	**0.02**	**0.05**	**0.02**	**0.06**	**0.04**	**0.21**	**0.12**	**0.00**	**0.00**	**0.10**	**0.06**
Lost day rate / severity (men)	9.43	2.20	19.68	8.00	15.84	10.42	75.33	41.39	0.00	0.00	35.05	18.49
Lost day rate / severity (women)	5.87	8.21	2.91	2.18	10.55	12.73	12.58	8.70	0.00	0.00	7.98	7.16
Lost day rate / severity TOTAL [4]	**8.20**	**4.26**	**12.72**	**5.59**	**13.95**	**11.24**	**52.39**	**29.72**	**0.00**	**0.00**	**24.85**	**14.26**
Lost day rate / severity (men)	9.43	2.20	19.68	8.00	15.59	10.42	82.11	41.39	0.00	0.00	37.11	18.49
Lost day rate / severity (women)	5.87	8.21	2.91	2.18	10.55	12.73	34.20	8.70	0.00	0.00	14.46	7.16
Lost day rate / severity TOTAL [5]	**8.20**	**4.26**	**12.72**	**5.59**	**13.79**	**11.24**	**64.59**	**29.72**	**0.00**	**0.00**	**28.58**	**14.26**
Accident frequency rate (men)	0.46	0.21	0.50	0.39	0.68	0.27	2.05	2.01	0.00	0.00	1.03	0.84
Accident frequency rate (women)	0.60	0.29	0.19	0.22	0.46	0.37	0.62	0.67	0.00	0.00	0.42	0.39
Accident frequency rate TOTAL [6,7]	**0.51**	**0.23**	**0.37**	**0.32**	**0.60**	**0.31**	**1.52**	**1.53**	**0.00**	**0.00**	**0.80**	**0.67**

[1] The formula for calculating the absenteeism rate has been modified in order to limit it to the health and safety area and the 2022 figure has therefore been recalculated. The remaining changes are due to the implementation of improvements and unification of criteria in the information reporting processes. In addition, the total number of recordable occupational injuries is considered to be occupational injuries with at least one day of sick leave, so 2022 has been recalculated.

[2] Hispam includes: Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

[3] Absenteeism rate = total number of days lost due to occupational diseases and accidents at work / total days worked per year. The decrease is due to the non-consideration of COVID-19 as an occupational disease as well as to the flexibility measures for remote working and the positive culture of safety, health and well-being centred on the person, which has led to a decrease in all geographies.

[4] 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. The decrease, in all geographies, is due to the non-consideration of COVID-19 as an occupational disease.

[5] 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. The decrease, in all geographies ,is due to the non-consideration of COVID-19 as an occupational disease.

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

[7] We do not have information on the type of conditions resulting in sick leave or work-related injuries due to regulatory issues and the privacy of personal data.

	Germany		Brazil		Spain		Hispam[2]		Others		Group	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Total No. of Occupational Diseases (Based on ILO List of Occupational Diseases)[8]	0	0	0	0	0	0	11	2	0	0	11	2
Total No. of Occupational Diseases (Based on legislation, regulation and local standards)	0	0	0	0	126	0	167	2	0	0	293	2[9]
Occupational disease rate (men)	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.01	0.00
Occupational disease rate (women)	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.02	0.00	0.00	0.01	0.01
Occupational disease rate TOTAL[10]	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.01	0.00	0.00	0.01	0.00
Occupational disease rate (men)	0.00	0.00	0.00	0.00	0.38	0.00	0.36	0.00	0.00	0.00	0.22	0.00
Occupational disease rate (women)	0.00	0.00	0.00	0.00	0.61	0.00	0.87	0.02	0.00	0.00	0.42	0.01
Occupational disease rate TOTAL[11]	0.00	0.00	0.00	0.00	0.46	0.00	0.55	0.01	0.00	0.00	0.30	0.00[12]
Total number of occupational injuries with major consequences (Men)	0	0	0	0	0	1	2	5	0	0	2	6
Total number of occupational injuries with major consequences (Women)	0	0	0	0	0	1	2	1	0	0	2	2
Total number of occupational injuries with major consequences TOTAL[13]	0	0	0	0	0	2	4	6	0	0	4	8
Rate of occupational injuries with major consequences TOTAL[14]	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.02	0.00	0.00	0.00	0.01
Total number of recordable occupational injuries (Men)	22	11	95	78	119	47	397	400	2	0	633	536
Total number of recordable occupational injuries (Women)	15	8	26	31	45	35	69	74	0	0	155	148
Total number of recordable occupational injuries TOTAL	37	19	121	109	164	82	466	474	2	0	788	684
Rate of recordable occupational injuries (TOTAL)[15]	0.51	0.23	0.37	0.32	0.60	0.31	1.52	1.53	0.19	0.00	0.80	0.67

[8] For privacy reasons under German law, Telefónica does not collect information on the incidence of occupational diseases in Germany, and it is considered zero for the purposes of calculating rates.

[9] In 2023, Covid-19 was no longer considered an occupational disease; which explains the decrease in both the number and rate of occupational diseases.

[10] 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.

[11] 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.

[12] In 2023, Covid-19 was no longer considered an occupational disease; which explains the decrease in both the number and rate of occupational diseases.

[13] Not including deaths.

[14] 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.

[15] Rate of injuries due to recordable occupational accidents = (number of injuries due to recordable occupational accidents / Number of hours worked) × 200,000.

	Germany		Brazil		Spain		Hispam[2]		Others		Group	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Number of deaths resulting from an occupational injury (Men)	0	0	0	1	0	0	0	0	0	0	0	1
Number of deaths resulting from an occupational injury (Women)	0	0	0	0	0	0	0	0	0	0	0	0
Number of deaths resulting from an occupational injury (TOTAL)	0	0	0	1	0	0	0	0	0	0	0	1[16]
Rate of deaths resulting from an occupational injury TOTAL[17]	0.00	0.00	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	0	0	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.

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[16] The only death resulting from an occupational injury in 2023 occurred in Brazil as a result of a road impact. The worker during working hours had an accident in which the vehicle in which he was travelling collided with a tree.

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

Coverage of the occupational health and safety management system

	Germany		Brazil		Spain		Hispam		Others		Group	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Number of employees covered by the Health and Safety Management System	7,099	8,181	33,466	33,128	26,826	26,793	30,848	29,748	775	975	99,014	98,825
% of employees covered by the Health and Safety Management System	86%	98%	95%	95%	97%	99%	98%	97%	65%	75%	96%	97%
Number of employees covered by the Health and Safety Management System subject to internal audit [18]	0	0	33,447	32,670	26,283	26,793	23,259	21,258	775	949	90,863	81,670
% of employees covered by the Health and Safety Management System subject to internal audit	0%	0%	95%	93%	95%	99%	74%	70%	65%	73%	88%	80%
Number of employees covered by the Health and Safety Management System subject to third-party certification or auditing	7,099	7,154	285	32,688	24,577	26,793	23,141	24,882	166	963	55,268	92,481
% of employees covered by the Health and Safety Management System subject to third party certification or auditing	86%	85%	1%	93%	89%	99%	74%	81%	14%	74%	53%	90%[19]

Relevant indicators VMO2[20]

- **Absentee rate:** 3%
- **Accident frequency rate:** 0.51
- **Occupational Disease Rate (based on local legislation, regulation and standards):** 16.90

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[18] 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. The percentage and number of employees covered by the Health and Safety Management Systems subject to internal audit in Germany differs from the figures published in 2022 due to additional verifications included as improvements to the reporting process.

[19] This percentage has increased significantly compared to 2022, due to the expansion of certification in Brazil.

[20] **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 2023, the total annual work days calculation was: the average number of employees x 250 working days.
Accident frequency rate:
(Total number of occupational accidents with sick leave / hours worked per year) x 200,000. The hours worked annual calculation is: the average number of 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.
Occupational disease rate:
 Total number of occupational illnesses / total number of hours worked) x 200 000. Total number of hours worked = the average number of 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.

2.10. Responsibility to the customer

Key points

NPS

We continue to increase our customer satisfaction, achieving an NPS (Net Promoter Score) of 31 and marking an improvement of over 10 points since 2017.

Personalised

customer service thanks to the latest technologies and the improvement of communication processes with our customers.

Over 99%

network availability during 2023 in line with our strategy to provide the best connectivity.

2.10.1. Vision

In the current context, there has been an upsurge in e-commerce, teleworking, distance learning, etc. This situation has led to the need for more and better connectivity.

In addition, the current geopolitical crisis has entailed, among other things, a shortage of resources, a rise in prices and an environment in which cybersecurity is becoming increasingly important and new challenges are arising.

Telefónica plays a leading role in addressing all these issues and strives to meet these needs.

As stated in our new Strategic Plan, customers are our main stakeholders and **at Telefónica we work to offer them a unique experience**, acting with **integrity, commitment, simplicity and transparency.** Our aim is to generate relationships of trust to always meet our customers' expectations.

Values of our Customer Promise

Integrity	Transparency	Simplicity
We fulfil our promises and acknowledge our mistakes	We proactively provide all important information	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 management of the customer experience.** The quality and reliability of our network and services, adapting to customer needs and managing customer care constitute the aspects with the greatest impact on society and on the value of Telefónica.

In this chapter, we set out how we have approached this challenge and what we measure through reputation and quality indicators while complying with all health and safety regulations and standards for our products and services.

For further information, see 1.4. Materiality

2.10.2. Governance

When addressing customer issues, we do so with a two-way dialogue, globally and locally, to ensure a company-wide commitment and a common strategy:

Management Bodies

Board of Directors

Functions
Approval of Strategic Plan including NPS targets

Sustainability and Regulation Committee

Functions
Monitoring of results and quality plans at a global and local level
Overseeing and reviewing of the Responsible Business Plan objectives associated with customers

Audit and Control Committee

Functions
Supervision of the results from reviews of the NPS measurement and reporting process

Nominating, Compensation and Corporate Governance Committee

Functions
Approval of variable remuneration linked to NPS and RepTrak, among other indicators

Global Sustainability (ESG) Office

Functions
Definition and monitoring of objectives of satisfaction indicators and principles of customer responsibility

Local Quality Teams

Functions
Monitoring, target setting and approval of quality and continuous improvement plans

2.10.3. Policies

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

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

  For further information, see 2.15. Governance and culture of sustainability

- **Global Security Policy** encompasses physical and operational security (of people and goods), digital security (including information security and cybersecurity), business continuity and fraud in the commercial portfolio of products and services.

- **Artificial Intelligence Principles** set out the pillars on which AI is designed, developed and used.

- **Global Privacy Policy** sets standards of behaviour that are mandatory for all the Company's entities and lays the foundations for a privacy culture based on the principles of legality, transparency, commitment to the rights of the data subjects, security and limitation of the retention period.

  For further information, see 2.18. Privacy and security

- **Responsible Communication Regulation** lays down guidelines for Telefónica and our employees regarding our communication channels and content creation.

- **Diversity and Inclusion Policy** promotes equal treatment and opportunities for all individuals, regardless of their characteristics.

➕ For further information, see 2.7. Diversity and inclusion

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

➕ For further information, see 2.14. Human rights

2.10.4. Impacts, risks and opportunities

In today's highly competitive market, maintaining a long-term relationship of **trust** with our customers is vital to the sustainability of our business.

By managing the customer experience responsibly, we have the **opportunity** to work with satisfied customers who recommend and stay with us, thus contributing to the health of our business.

By contrast, having customers who are dissatisfied due to a low quality of the services provided, an offering that fails to meet their needs or misleading conditions may lead to a loss in trust among our customers, them failing to recommend us or them abandoning the company.

Lastly, to highlight one last negative impact that is intrinsic to the nature of our business, the potential impacts also include the possible effects of electromagnetic fields and the inability to ensure compliance with legal exposure limits to ensure that they are safe.

In addition to the **risk** of losing customers, all these negative impacts may also carry other risks such as economic sanctions and, in general, damage to the Company's image.

➕ For further information, see chapter 3. Risks

At the same time, we have the **opportunity** to improve processes at the Company and offer quality products and services that enrich our customers' experience, in order to build long-term relationships, reduce costs and generate revenue.

➕ For further information, see 1.4. Materiality

2.10.5. Action plan and commitments

In order to respond to the Impacts, Risks and Opportunities (IROs) identified, we have built our strategy around the factors that drive customer satisfaction: **connectivity, offering and care**.

To define our actions, we use the insights provided by our **Voice of the Customer** programs, **respecting privacy** and **guaranteeing** the highest level of **security** when processing customer information and personal data at all times and with a commitment to **responsible communication and marketing.**

Quality and reliability of our network and services

Adapting to the needs of our customers

Managing the customer care

Customer experience measurement:
- **Voice of the Customer programme**
- **NPS**

We use **artificial intelligence** to improve both the customisation of our offering oriented towards our customers' needs and our interactions with them, through the use of cognitive drivers and virtual assistants. That is to say, we use it to offer customised recommendations and a personalised experience. We also make use of it in our networks to improve the quality of the service to our customers.

All Telefónica Group, operators **conduct monthly satisfaction surveys among our customers** to learn about the way in which they perceive our services. In these surveys we ask about the quality of the network, the commercial offering, 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 provides us with 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 with regard to our products and services since 2017, 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 short term variable remuneration of all employees and is included in Telefónica's strategic plan.

2.10.5.1. Quality and reliability of our network and services

The network is one of our main assets.

Today's changing environment and its 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 customer **satisfaction with the functioning of the network** as one of the **targets** for measuring our importance to customers.

As an example of our commitment in this regard, we have 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 and use of a digital twin (an exact digital replica of the network which uses artificial intelligence algorithms and high processing capacity, and which serves, among other things, to make strategic decisions and run through what-if scenarios practically in real time - in our case taking into account the quality enjoyed by our customers).

- Technology investments to be based on customer experience data.

- Using AI and machine learning algorithms to accelerate automation and thereby 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 (CX) communication, recognition and training plans.

- Creating a cross-cutting customer experience unit.

- Defining customer experience models based on persona models (customer experience models created around a persona).

- Implementing a Service Operation Centre (SOC) in order to evolve towards automation and proactive resolution of service faults.

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 the maximum access speed and information transmission capacity stated in the customer's contract, 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 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.

Network availability in 2023

	Fixed	Mobile
Germany		99.36%
UK		99.31%
Hispam	99.94%	99.14%
Brazil	99.47%	98.65%
Spain	100%	99.16%
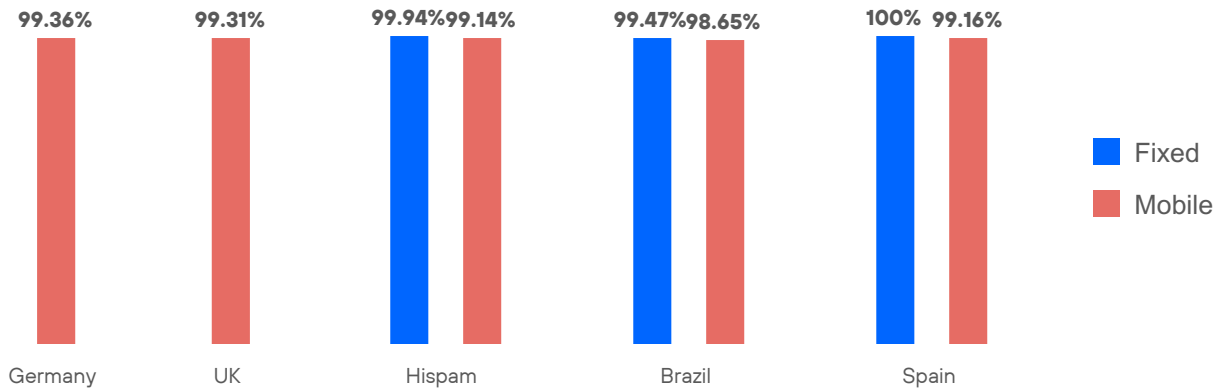
Connectivity is the basis of our business, which is why we invest in high-quality resilient infrastructures. This way, more and more households have the opportunity to access the digital world.

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

Below, two examples of tools that enable customers to check network status:

Example of Movistar's network status in Spain by type of technology (5G, 4G...).
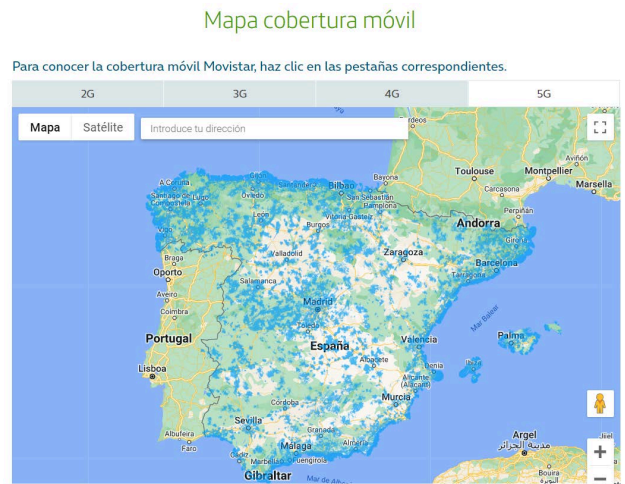
Example of Vivo's network status in Brazil by type of technology (5G, 4G...).
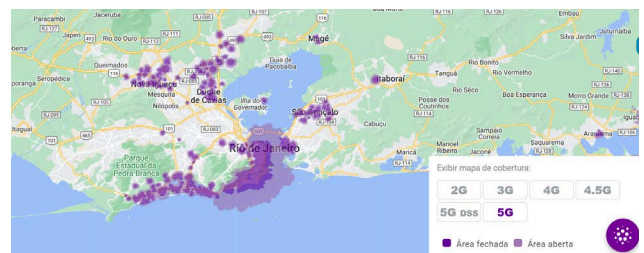
We also supply details about **upload and download speeds** of an Internet connection from any location (e.g. the Movistar Speed Test). This provides users with access to quality information and enables them to enjoy greater efficiency in the use of connectivity, as well as the swift identification of 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.

Health and safety in our products

At Telefónica, we optimise the smooth operation and accessibility of our products.

That is why we apply the appropriate protocols to ensure that **100% of the devices we market comply with local legislation in each of the markets where we operate.**

In one way or another, these standards and laws affect customers' safety, quality and user experience; in many cases, we go beyond the legal requirements.

Specifically, at Telefónica we request the **RoHS certificate** (Restriction of Hazardous Substances, European Directive 2015/863, or version 3) – 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 devices – which ensures that none represent a health hazard for our customers – from all suppliers of mobile terminals. We also ask for the devices we sell to 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 the **RoHS certificate.**

It must also be highlighted that verifications of versions of the firmware implemented, the packaging, and the housing of the devices are carried out in the logistics areas of each of our countries.

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 standards, which have been established by the ICNIRP, 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 (ITU).

At Telefónica, we verify that all the mobile devices we market comply with the SAR 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 to maintain 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.

2.10.5.2. Adaptation to customer needs

At Telefónica, we create a **portfolio** of products and services **adapted to the needs of our customers,** improving and extending the offering to strengthen the relationship we have with them. In addition, this 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.

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 offering 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 offering that speeds up the implementation of technology through our cybersecurity, cloud, IoT, big data, artificial intelligence and blockchain services, technology solutions and digital transformation support for businesses.

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 created the **Eco Smart** seal; this identifies the environmental benefits provided by our products and services.

Customer Health Index

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

The voice of our customers, collected through surveys and mainly the NPS for our products and services, feeds back into this index.

2.10.5.3. Managing the customer experience

The way in which we interact with our customers through our touchpoints 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 to also evaluate the digital transformation process of our points of contact. We set annual country and Company-wide targets.

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

Complaints

All our operators have teams that focus exclusively on reducing both the number complaints and the number of dissatisfied customers, regardless of the channel through which they reach us. The measures we implement for this purpose include the following:

- **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, physical stores, social media 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 includes details about 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/Downloads/EN/BNetzA/PressSection/ReportsPublications/2023/AR2022.pdf?__blob=publicationFile&v=1
Brazil	Agencia Nacional de Telecomunicaciones (Anatel)	https://informacoes.anatel.gov.br/paineis/consumidor/reclamacoes
Argentina	Ente Nacional de Comunicaciones (ENACOM)	https://www.enacom.gob.ar/reclamos-y-denuncias_p1000
Chile	Servicio nacional del consumidor (SERNAC) y Subsecretaria de telecomunicaciones (SUBTEL)	https://www.subtel.gob.cl/ https://www.sernac.cl
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://checatucaso.osiptel.gob.pe/#/autentica
Ecuador	Agencia de Regulación y Control de las comunicaciones (ARCOTEL)	https://www.gob.ec/tramites/4469/webform
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
Uruguay	Unidad Reguladora de Servicio de Comunicaciones	https://www.gub.uy/tramites/administracion-usuarios-tramites-linea

2.10.5.4. Voice of the Customer Program

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

All our businesses have introduced tools to listen to our customers 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 that are 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 the literal opinions of our customers in order to gain a better understanding of our strong points as well as opportunities for improvement, so as to use this information to guide our projects.

In closing the loop we seek not only to provide an immediate and personalised response to an incident raised by a customer after their interaction with one of our contact channels, but also to use their input as feedback to prioritise structural improvements in the Company's processes, thereby 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 becoming proactive, allowing us to anticipate the customer's needs.

2.10.5.5. 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.

For further information, see 2.18. Privacy and security

2.10.5.6. Responsible communication

Our internal regulation on Responsible Communication provides general guidelines on how to address customers and other stakeholders. We promote freedom of expression, pluralism and diversity and we are committed to truthful information, education and inclusion.

In our communication with **customers**, we ensure that the information is complete, sufficient and detailed, while avoiding the use of jargon and small print, and we provide the information needed for the terms and conditions of our offers to be understood. We respect and promote the values contained in our Responsible Business Principles and our Diversity and Inclusion Policy.

Our advertising messages and our sponsorships:

- Must not take advantage of the good faith of the consumer.

- Must not infringe upon people's dignity.

- Must not include messages or images promoting alcohol consumption, smoking, drug-taking, eating disorders or terrorism.

- Must never incite hatred, violence or discrimination based on racial, national, religious, gender or sexual orientation; we promote the use of neutral and non-sexist language.

- Must not encourage illegal behaviour or behaviour that harms the environment.

- Must not take advantage of the naivety of minors.

We do our upmost to avoid broadcasting advertising messages during programs or on channels that are not in alignment with our values and our Responsible Business Principles. These **guidelines are reflected in our contracts with the advertising agencies or media outlets** we work with.

We have rules and policies in place to guide employees, contractors and third parties with regards to the proper use of social media (e.g. on the publishing of facts, information or opinions about the Company). The Global Communication area is responsible for driving and fostering the implementation and compliance of our rules and policies.

With regard to raising awareness and training our employees about the importance of responsible communication, we address this issue in our Responsible Business Principles course.

In view of the substantial impact we can have through our television platform, we have a **specific Responsible Communication Code for Movistar Plus+**, approved by the Executive Committee of Telefónica Spain. This code is aligned with our Responsible Business Principles and our internal regulation on Responsible Communication. We have ethical editorial criteria for all productions (in-house, purchased or outsourced), as well as pre-broadcast controls, anti-piracy mechanisms and a Content or Production Officer to oversee each production.

All Movistar Plus+ stakeholders have been informed about the code 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 Whistleblowing and Queries Channel.

Our internal regulation on Responsible Communication provides guidelines on how to address customers and other stakeholders.

Telefónica's Responsible Communication Regulation

We promote these principles:

Legality

We comply with the rules and policies, we protect intellectual property and we do not encourage illegal, irresponsible or discriminatory behaviour.

Neutrality

We promote freedom of expression and creativity, while respecting the right to dignity and privacy.

Protection of minors

We manage content responsibly and have preventive, safe advertising and awareness-raising measures.

Integrity and transparency

We ensure compliance with Telefónica's Anti-Corruption Policy.

Diversity

We promote equality and social integration.

Values and talent

Our business commitment to creativity and innovation is reflected in the content.

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 is designed to help companies' marketing and communications teams to be part of the solution to climate change.

We are committed to:

a. Being part of the global Race to Zero campaign and encouraging our marketing supply chain to do the same.

b. Increasing the capacity of our marketing and communications teams to spearhead climate action by providing tools and guidance to marketing specialists and agencies.

c. Harnessing the power of our communications to encourage more sustainable consumer behaviour.

d. Enhancing a trustworthy marketing environment, where sustainability claims can easily be substantiated to build consumer confidence and thus avoid greenwashing.

2.10.6. Progress in 2023

2.10.6.1. NPS: results and progress

The overall NPS for the 2023 financial year was calculated based on the results of our operations in Spain, Germany, Brazil and Hispanoamerica.

The robustness of our networks, the adaptation of our offering to customers' needs and our efforts to facilitate transactions through our contact channels have merited the trust of our customers and enabled us to build on the historical results achieved in 2022. In 2023 we achieved an NPS of 31, increasing Telefónica's recommendation rating by one point above the 2022 year-end figure and by more than 10 points above that of 2017, when we first started tracking this metric.

Telefónica Group NPS

2022	2023
30	31

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

By segments we also achieve a exceptional results this year:

Telefónica Group NPS (by segment)

	2022[1]	2023
B2C	23	25
B2B	51	49

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

In 2023 we achieved a **two-point increase** over the year-end 2022 figure in the **B2C segment** and were d**own two points** for the **B2B segment** (the 2022 report does not feature the same dataset, as it did not include Hispanoamerica).

These results include responses to the tailored offering and actions carried out following active listening as part of each operator's Voice of the Customer program, for which some examples and figures are given later in this Report.

2.10.6.2. Reputation

At Telefónica, reputation is key to ensuring consistency with our long-term vision. Measuring reputation allows us to see how society (customers and non-customers) perceive our overall performance and helps us to understand their expectations. To do this, we focus on four crucial features, namely admiration, esteem, confidence and good impression (the RepTrak Pulse® model).

We include factors that allow us to determine how the Company is perceived with regards to environmental, social and governance (ESG) issues, as adequate management of these issues is becoming increasingly important for both companies and their various stakeholders when it comes to building reputation.

Customer satisfaction has been part of our variable remuneration system since 2008.

For further information, see chapter 2.15. Governance and culture of sustainability

In 2023 the **combined RepTrak Pulse® score** was made up of the results for Germany, Brazil and Spain, to give a score of 62.43 points out of 100. While there are many variables that affect reputation, an erosion of trust and the increased uncertainty generated by the global macroeconomic situation have had a significant impact.

We strive to be recognised as a company that acts sustainably, promotes diversity and inclusion and takes into account the needs of society. Our long-term ambition is not just to outpace our competition but to reach reputational levels of other more favoured sectors, such as retail, automotive and food and beverage sectors achieving a RepTrak Pulse® of 70 or more. Players in these industries have been able to understand societies' expectations and provide them with a higher level of satisfaction than others, gaining trust and admiration from the public.

In 2023 we implemented various lines of action:

In **Brazil**, we focused on:

- Environment and inclusion: mass media coverage of our commitment to the environment, discussing the importance of recycling electronic material (Vivo Recycle) and the inclusion of women in technical services (Women in Fibre).

- Supporting diversity through art and culture: the LGBTQIA+ float at the Carnival of São Paulo and sponsorship of Black music festivals.

- Sporting sponsorships with the intention of publicly emphasising the importance of well-being, conscious use of technology and connection with nature.

In **Spain**, the emphasis was on:

- Promoting technology and digitalisation as a driving force for social progress and our commitment to the environment. By expanding the rollout of the 5G network in both urban and rural areas and switching off copper to move to a 100% fibre network, we facilitate society's access to connectivity and contribute to our net zero emissions pledge. We also launched a circular economy program to promote responsible and sustainable consumption.

- Raising awareness and training people in the proper use of technology through various projects, such as #MalamadreEnModoAvión to promote digital disconnection amongst families, demonstrating the need to continually educate people on the healthy and positive use of technology. We also regularly share

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[1] Data reported in 2022: B2C 23, B2B 58; did not include Hispam.

expert insights into the responsible use of technology through a weekly newsletter to our customers.

Lastly, in **Germany**, we focused on:

- Responsibility towards customers: adding value to our offering to improve the customer experience and fostering innovation. Some of the fruits of this initiative include the launch of new products, special and innovative tariffs, network growth, collaborations with Apple, promotional activities and campaigns to build an emotional connection with the O2 brand, such as initiatives involving O2 Music and the collaboration with SURFTOWN MUC, the largest urban surf park in Europe.

- Responsibility towards society: raising awareness through activities and communication campaigns related to the environment, volunteering and responsible digitalisation.

2.10.6.3. Quality and reliability of our network and services

Network quality and reliability

In accordance with the international standard on telecommunications services from the Sustainability Accounting Standards Board (SASB), 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 in which the service is operating.

We continued to report on all services (voice, data and television) in 2023, for both the fixed and mobile networks of Telefónica Spain.

From the analysis of the indicators of frequency and average duration of outages (TC-TL-550a.1), it can be concluded that **service availability was above 99.9%**.

In addition, throughout 2023 we leveraged the benefits of AI and machine learning alongside the vast amount of data in our network. We are making progress across the Group's operations in automating and empowering network and systems processes, resulting in improved network availability as we are able to anticipate problems, resolve them automatically and reduce the potential for human error.

SASB indicators

		2023
TC-TL-520a.2	FIXED LINE NETWORK: average actual sustained download speed in megabits per second (Mbps) of owned and commercially associated content.	FTTH 600: 618,101 Mbps FTTH 1000: 911,331 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 owned and commercially associated content.	4G: 50,09 Mbps There is no differential assessment between associated and non-associated content
	FIXED LINE NETWORK: average actual sustained download speed in megabits per second (Mbps) of non-partnered content.	FTTH 600: 618,101 Mbps FTTH 1000: 911,331 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: 50,09 Mbps There is no differential assessment between associated and non-associated content
TC-TL-550a.1[1]	FIXED LINE NETWORK: system average interruption frequency (interruptions per customer).	1.60
	MOBILE NETWORK: system average interruption frequency (interruptions per customer).	27.84
	FIXED LINE NETWORK: customer average interruption duration (hours per customer).	3.54
	MOBILE NETWORK: customer average interruption duration (hours per customer).	0.05

➕ For further information, see 2.20.10. SASB compliance table

Health and safety in our products
GRI 416-1, 416-2

No non-compliance was detected in any region in 2023 and 100% of the devices we market comply with the local regulations in each of the markets where we are present.

Electromagnetic fields

In 2023 we took 56,448 measurements at our base stations.

These have always been below ICNIRP levels in every country in which we operate, even those without their own regulations.

Commitment to research
The scientific research in this field is a priority area for the World Health Organization. Similarly, the research program of the European Union includes a number of projects in this area that aim to address the possible health effects of electromagnetic fields.

Telefónica follows these initiatives closely. In particular, Telefónica Spain is collaborating with the Emerge-5G research project, Electromagnetic Field Methodologies for 5G Use Cases. Its main aim is to develop new methods and guidelines for the assessment of exposure to the different innovative use cases intended for 5G communication networks.

Telefónica has provided technical data on the necessary base stations to carry out exposure measurements. These preliminary measurements, carried out as part of the EMERGE-5G project using frequency and code selective measurement methodology, have shown that the actual instantaneous measured exposure is lower than the maximum measured possible exposure, either in the absence of 5G traffic (environmental measurement) or in the presence of active 5G traffic generated with a high volume of data. These results were presented at the BioEM (Bioelectromagnetic) conference held last spring in Oxford.

2.10.6.4. Adaptation to customer needs

One of the lessons learned from our Voice of the Customer programs is that there is demand for products and services tailored to the needs of our customers.

In **Spain**, miMovistar allows 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 are able to configure their bundles, choosing from a **range of options** designed to make their lives better. They decide what is best for them.

Germany's O2 Grow, the first tariff in the country that automatically increases annually the offering to the customer every year without price increases (i.e. each year customers get 10 GB added to their monthly data allowance for free). This meets the customer's need to have more and more data on a wider range 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 having to decide whether they want to sign up with us. This gives customers an excellent opportunity to test whether the product meets their expectations and needs, thereby avoiding a bad post-purchase experience. Furthermore, with the Flex for Free option, customers have a flexible contract with no minimum length and at no additional cost.

Customer Health Index

Our goal in Telefónica Spain, is for all our products and services to achieve a score above 90%, with corrective initiatives being established prior to market launch for those that do not.

We hit our 2023 target for our main products, in that they all registered a rate of over 90%. For value-added services, the average and weighted score exceeded the target of 92%.

2.10.6.5. Customer service management

Complaints

Achieving satisfactory solutions to complaints is vital for Telefónica. Listening to customers and resolving complaints has a decisive influence on both customer satisfaction rates and on whether customers recommend services. For this reason, Telefónica has teams dedicated exclusively to dealing with all complaints, be they by telephone, email or post.

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

Customer Defence Service (Spain)
In 2023 the Customer Defence Service (CDS) continued its efforts. This is a pioneering customer initiative among telecommunications operators, which was launched by Telefónica voluntarily in 2006. It is 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. CDS resolutions are based on fair and independent criteria and are binding for the Company.

In 2023 the SDC received 4,062 letters from customers requesting action, and 64% of the cases were admitted for processing, as they fell within the scope of the body's remit. Of these cases, 88% were resolved in favour of the customer. In terms of the channels used, virtually all requests (98%) were made using the online form once the postal method was withdrawn (the postal method remains only for exceptional cases affecting individuals that should not be left behind, such as older people or those without access to digital resources, etc.).

The second function of the CDS is to identify and report to committees and management **opportunities to improve** internal processes and practices with regard to the end customer. In this regard, in 2023 the CDS continued to report on the device-leasing offer, both in terms of the offer itself and concerning logistics and maintenance matters. Reports have also been submitted on procurement using the new customer authentication and express acceptance method, which involves a one-time password (OTP).

Ouvidoria (Brazil)

Vivo has a channel for dealing with 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 pursuit 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 2023 Ouvidoria handled 138,000 calls per month, contributing to a 16% reduction in complaints to the Brazilian Telecommunications Regulatory Agency (Anatel). In a pioneering move, it extended its opening hours to 19:00 and also achieved 100% compliance with the new Service Quality Regulation (RQUAL) inspections, demonstrating total alignment with regulatory requirements and a broad commitment to improving the experience of customers who use the channel.

2.10.6.6. Voice of the Customer Programs

Our main operations use the same methodology, which is beneficial when it comes to sharing best practices.

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 2023, 16 million customer surveys were conducted with nearly three million responses received.

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

Handling dissatisfied customers through the close-the-loop approach has resulted in **almost 70% of customers ending up 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

Germany has its own Voice of the Customer tool that it uses as a yardstick 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. The tool 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, in order to analyse the root cause, other indicators such as customer effort, the percentage of unfriendly interactions, and 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, so that we can carry out the necessary structural changes to correct our weaknesses and reinforce our strengths.

Since its launch in 2019, the program **has ultimately allowed us to continue increasing our recommendation rates.**

Brazil

In 2017 the Company launched the Vivo DNA customer experience transformation project, which is based on four principles of action: "be reliable", "be efficient", "be user-friendly" and "be engaging".

This Voice of the Customer program runs throughout the Company; the entire workforce is key to transforming the customer experience through their contacts and interactions with Vivo.

Among the main initiatives of this program is **Vivo DNA Voice**, one of the largest satisfaction measurement systems in Latin America, which performs transactional surveys that reach 100% of customer touchpoints.

The DNA Thermometers map over 100 processes and disseminate relevant information on a digital platform that is accessible to all employees, from the front line to the Executive Committee, allowing them to identify opportunities and support the Company's strategy through quantitative and qualitative analysis and statistical modelling. **We receive more than 50 million responses from our customers each year**. They are the main driving force for the transformation of the Company's customer journeys, processes and channels, through the satisfaction teams.

These multi-disciplinary and multi-hierarchical teams are trained to identify and address structural opportunities that affect many areas of the Company, impacting millions of customers in recent years.

Another of the most significant initiatives is **DNA Resolve,** another close-the-loop program that aims to convert dissatisfied customers. **Some 67% of customers say that their problem was resolved after a follow-up survey.**

The initiative allows for the incorporation of **continuous improvement** models as, in addition to solving each customer's specific problem, the information obtained is categorised and turned into input for prioritising structural improvements to customer journeys and business procedures, thereby preventing other customers from experiencing the same problems.

This joint endeavour is reflected in the improvement in overall customer satisfaction, the Net Promoter Score (which has grown steadily in recent years), and the decreasing number of complaints made by our customers to consumer protection agencies in Brazil: **over 40% fewer complaints to Anatel** in the last two years (ref: 1H23).

2.10.6.7. Responsible communication

We have updated the Movistar Plus+ Responsible Communication Code. The aim of this code is to convey the measures through which we implement the principles and commitments of the Responsible Communication Regulations on the television platform.

Planet Pledge

In 2023 we delivered training to around 450 marketing, communications, events and sponsorship staff to enable them to identify the environmental impact of their projects and help them reduce it. We also provided guidelines and recommendations on how to avoid and detect greenwashing.

Milestones

❶ We remain committed to incorporating the voice of the customer in our processes and adapting our value proposition to what they really need.

❷ We incorporated AI into our customer service channels to offer a personalised experience.

❸ Our customer recommendation levels continued to rise.

❹ We complied with the emissions levels established by the ICNIRP, even in countries without their own regulations.

2.11. Sustainable offering and innovation

Key points

52%

of our solutions have been verified as Eco Smart for the environmental benefits they generate for our B2B customers.

>80

products and services evaluated under the Responsible Design framework to date.

Launching

the first three services focused on digital security and anti-fraud as part of the GSMA Open Gateway initiative.

2.11.1. Sustainable offering

2.11.1.1. Vision

At Telefónica, we are committed to achieving a world where t**echnology helps protect the planet and connects people's lives, leaving no one behind.** That is why we promote the digital and green transitions as twin transitions while at the same time being committed to accessibility and developing solutions that help improve people's lives.

It is becoming increasingly urgent to accelerate the green transformation of the economy and society in order 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 improving the competitiveness of the economy at the same time.

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 20230 when implemented in industrial sectors, and by up to 35% if we consider their ability to transform people's habits.

We develop green digital solutions to help our customers transition towards more sustainable and competitive business models.

We are also work to reduce the environmental impact of our products, and we provide transparent information on the environmental benefits they offer. This enables customers to integrate sustainability criteria into their purchasing decisions and consume technology in a more responsible way.

We work not only with the environment in mind but society as well, as **it is people who give meaning to technology** not the other way around. We therefore ensure that our offering is ethical, inclusive and respectful of human rights.

That is why we develop products and services that incorporate **accessibility criteria** from the design: so that they can be used by as many people as possible leaving no one behind. This is especially critical for elderly people and people with disabilities, for whom technology offers an invaluable opportunity for social inclusion.

We aspire to a world where technology contributes to improving people's lives.

Targets
Our commitment to the environment is **to continue developing and promoting new digital solutions** to help our customers become more efficient and therefore **accelerating the decarbonisation of their businesses**, and we also pledge to continue quantifying our contribution in this regard.

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

Accordingly, to this end, we have set the goal of further deploying the **Eco Smart seal** in **all our operations by 2024**.

In addition, we use our internal assessment framework Responsibility by Design to promote the adoption of **ethical, environmental and accessibility criteria** into new products and services (P&S) from the development phase through to final delivery to the customer.

In that regard, we have set the target of **assessing 100%** of our **new products and services** against the **Responsibility by Design framework by 2025.**

2.11.2 Impacts, risks and opportunities

While it is true that **connectivity and digital solutions** reduce CO_2 emissions from other sectors and improve people's lives, they **are also resource intensive**, consuming large volumes of resources such as minerals, water and energy. According to the European Commission, digital technologies consume 8-10% of the world's energy and generate 2-4% of global greenhouse gas emissions.

To minimise these negative effects, we are reducing the environmental footprint of our network, which is the base of all the digital solutions we offer.

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

The **UN** expert panel has warned that the world must cut greenhouse gas emissions by **45% by 2030** and achieve **net zero emissions by 2050** globally.

As a result, **we foresee an increased customer demand for technological solutions** that will make their **operations and processes more sustainable** by reducing their Scope 1 and 2 emissions, and also a greater demand for products with a lower environmental impact and more circular that help reduce their scope 3 emissions.

This will deliver new business opportunities for our connectivity and Eco Smart solutions, as well as for the new services based on innovative technologies such as 5G and artificial intelligence (AI) that we plan to develop in the coming years to help our customers decarbonise. We also hope to meet the growing demand for products with a low environmental impact through projects such as the Eco Rating label and circular economy-based products.

➕ For further information, see 2.3. Circular economy

In social matters, and specially with regard to the accessibility of our products and services, in recent years we have seen an increase in national and supranational **legislation** introducing stricter requirements and penalties for non-compliance.

Through our Responsibility by Design project, we endeavour to **reduce risks in this respect** and make our products innovative, accessible and barrier-free. This will ensure inclusive services for all people, set us apart from the competition and enhance our reputation.

At the same time, we have observed a considerable rise in the size and relative weight of the market of people with disabilities and older people. Betting on accessibility therefore represents an **opportunity** to boost our market share.

These business opportunities inherently carry risks associated with the greater costs of investing in the development of products with a lower environmental impact. However, the Company will continue to focus on innovation to mitigate these risks as much as possible and meet the current or future demands of our stakeholders in terms of **ethics, privacy, human rights, accessibility and the environment.**

We develop these solutions in tandem with a number of technology partners in order to ensure a positive **impact** on the entrepreneurial ecosystem that contributes to the development of companies and startups.

2.11.1.3. Action plan and commitments

To ensure that we keep the negative impacts of our products and services to a minimum while enhancing the positive, we work **to incorporate different environmental, accessibility and ethical principles** therein. We also provide **information on these attributes** to customers so that they can factor sustainability criteria into their purchasing decisions.

This is supported by the following lines of action:

> Digital solutions for the green transition

B2B - development of Eco Smart services

We develop services based on connectivity, *Internet of Things (IoT), cloud, big data and 5G.* These solutions have the potential to provide not only operational benefits and cost-saving, but environmental benefits as well. At Telefónica these solutions are identified with the **Eco Smart seal.**

The seal has four icons that represent energy savings, reduction of water consumption, reduction of CO_2 emissions and promotion of the circular economy.

The icons are coloured to identify the environmental benefit that our products and services have an impact on, where applicable. These services are externally verified by AENOR.

Below are some of our Eco Smart solutions, all of which are based on our fixed and/or mobile connectivity.

Connectivity

Connectivity is the number one requirement for accessing the digital world. It is a core service that we offer directly to our customers, and it is also **included 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, including fibre as a replacement for copper (85% more energy efficient) and 5G (up to 90% more efficient than 4G in terms of energy consumption per unit of traffic).

As a result, we can respond to the growing demand for data with a robust, secure, stable and increasingly sustainable network that **supports the adoption of actions** that contribute to **the reduction of CO_2 emissions**, such as **teleworking, migration** of services and servers to the **cloud**, and remote training and medical care, etc.

5G connectivity-based solutions

Over the next decade 5G is expected to bring about unprecedented technological disruption in several sectors of the economy and in society. **At Telefónica we are already offering 5G solutions for large companies and administrations**. The first use cases we offer include the incorporation of robots into industry to improve processes and operations; remote assistance with supervision, assembly and operation of assets provided remotely by expert staff; and the use of drones for inspections of critical and remote assets, stock control, supervision and control of spaces, swift assistance, etc.

These use cases remove the need for travel, improve predictive maintenance, increase the efficiency of productive processes and therefore generate significant environmental benefits for our customers.

Digital workplace

Productivity and collaboration solutions enable people inside and outside the organisation to connect and work remotely and flexibly. They deliver **considerable environmental benefits** by reducing travel, fuel consumption and office HVAC. All this translates into lower CO_2 emissions and less air 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, delivers greater control of their business and increases engagement among their employees.

We have made a commitment to offer companies solutions that best suit their needs. That's why we have a comprehensive portfolio of global services, which has been enhanced by worldwide agreements with leading hyperscalers, including AWS, Google and Microsoft Azure.

Digital solutions to environmental challenges
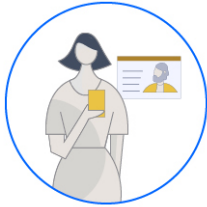
Connected living

Cloud
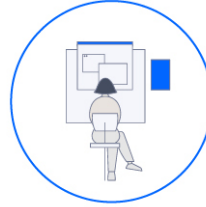
IoT & Big Data

Other digital services

Smart **metering**

e-Health

Smart **factories**

Smart management of the **water cycle**

Smart **waste management**

New ways of working

Smart **urban lighting**

Smart **agriculture/ livestock**

Smart **irrigation**

Smart **energy**

Smart **traffic**

Fleet management

Smart **parking**
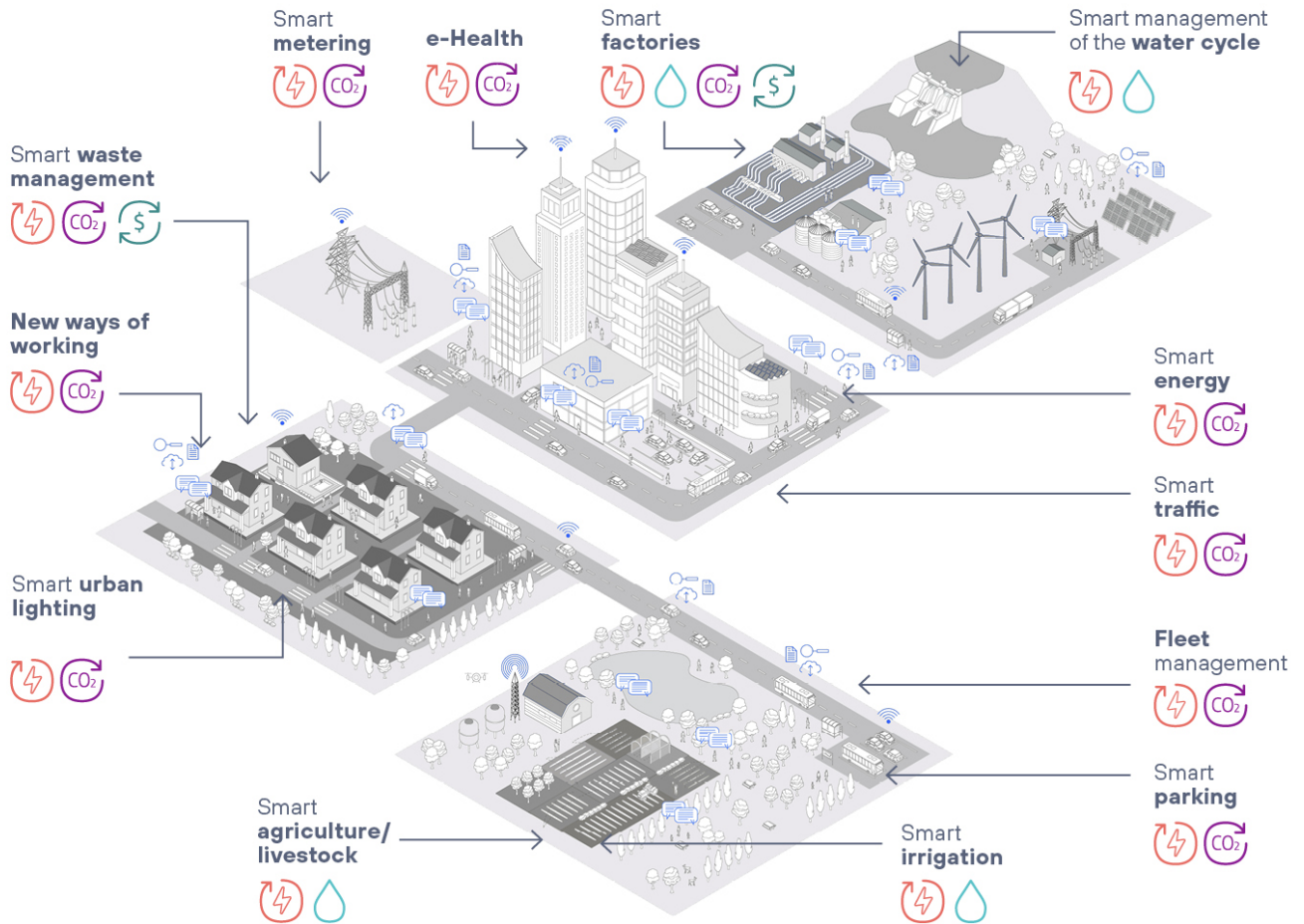
Energy saving

Reduction in water consumption

Reduction in CO_2 emissions

Circular economy

Our cloud services use servers hosted in data centres that meet high energy efficiency standards. The average Power Usage Effectiveness (PUE) of our main data centres in 2023 was 1.69.

Consequently, the migration of companies to the cloud leads to reduced energy consumption and therefore reduced emissions.

IoT, big data, AI and blockchain

Technologies such as IoT, big data, AI and blockchain are key to economic recovery and sustainability.

All connected objects and equipment generate data in real time. When we combine the data from these objects with those of our customers and other external sources, we get processed and analysed information that enables us to increase the efficiency of production processes, reduce consumption of raw materials, decrease wastage and even extend the life span of equipment. This can all be seen in services such as:

- **Smart meters** for our customers in Spain and the United Kingdom, where Telefónica manages millions of connected electricity, water and gas meters.

- **Solutions for smart cities** based on the optimisation of lighting, parking space use, waste management and collection, and on high precision 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 a large geographical spread, such as hotels, banks and supermarkets.

- **Agricultural management solutions,** such as precision farming, which enables more efficient decision-making and maximises yields, and smart irrigation management, which combines information sources with AI-based telemetry and telecontrol systems at all stages of irrigation, thereby saving water by optimising consumption and minimising leaks and breakages in storage and distribution systems.

- **Solutions for the transport sector** that optimise the planning of transport systems and infrastructure through a 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, which make all kinds of processes more efficient, including route optimisation, resulting in reduced consumption of energy and associated CO_2 emissions, and vehicle condition monitoring, helping to extend vehicles' useful life.

- **Solutions for Industry 5.0,** which see private networks (5G or LTE) and associated solutions (for example, AGVs, predictive maintenance, asset control and operator safety) taking the manufacturing and mining industries and the port and airport management sector to new levels of operation, flexibility, productivity and efficiency.

- **Drones**, which make it possible to monitor and optimise operations and guarantee the life cycle of industrial plants, supervision of works, safety and emergency management, etc. With this solution, Telefónica offers an end-to-end service including drones with cameras and sensors, connectivity, a fleet management platform and piloting and maintenance of the solution.

In addition, the inclusion of the technological capacities of **blockchain** in many of the use cases mentioned above improves traceability, transparency and security, delivering faster and more efficient ways of doing things. Examples of this are our implementation of document management (which eliminates 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.

B2C – Connected Living

Our mobile and fibre connectivity services are key to people leading more digital lives. Thanks to these services, **customers in the residential segment** can use online applications or services to work and learn remotely, share cars, access real-time information on the public transport in their cities and, consequently, are able to **make** many of their day-to-day activities **more environmentally friendly.**

Emissions avoided by our customers

Each year we quantify Telefónica's contribution to the twin transitions and calculate the greenhouse gas emissions we help our customers avoid by using our connectivity and Eco Smart solutions.

For further information, see 2.2. Energy and climate change

> Building a sustainable offering

We work to reduce the environmental impact of our products while encouraging the inclusion of accessibility features.

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 is for the planet.

Eco Rating

77/100

Durability	Climate efficiency
Repairability	Resource efficiency
Recyclability	© 2024 Version ❸
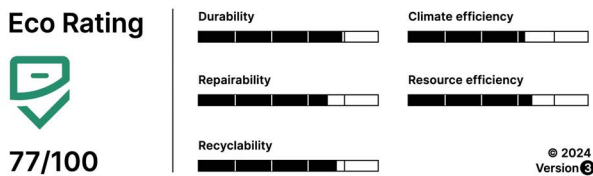
It covers 22 environmental and material efficiency indicators and criteria, and is based on information provided by the manufacturers themselves concerning the technical specifications and components of each mobile phone.

Refurbished mobile phones

We sell refurbished second-hand phones with the aim of extending their useful lives and promoting the circular economy.

➕ For further information, see 2.3. Circular economy

Accessible mobiles

We are steadfastly committed to putting technology to work for people, leaving no one behind.

That is why we require our suppliers to assess the accessibility of their handsets as part of the homologation process for the mobile devices we purchase. We make this information available to our customers so that they can purchase the handset that best suits their needs.

➕ Más información en el apartado 2.12. Inclusión Digital

Responsibility by Design

This is a internal assessment framework that we have developed with the aim of **promoting the inclusion of ethical, environmental sustainability** and **accessibility principles** into **products, services** and **channels** and their various upgrades from **development** all the way through to final delivery to the customer.

The Responsibility by Design framework encompasses **two main pillars**:

- **Design ethics** linked to our commitment to our customers to ensure transparency, simplicity and integrity in all communications and interactions we have with them. This also means that we follow ethical and responsible principles in the use of AI and data management, harnessing their full potential safely and securely and avoiding unintended consequences.

- **Sustainability applied to design**, ensuring respect for human rights in order to promote positive impacts and avoid negative impacts that could pose a risk to the Company. For example, we promote accessibility as a cross-cutting principle right from the outset, so that everyone can use our products and services in a satisfactory, safe and independent manner. We also minimise the impact of our activity on the environment while helping our customers to reduce theirs by using our solutions.

The pillars of Responsibility by Design

Ethics applied to design		Sustainability applied to design	
Principles of responsibility to the customer	**Ethical principles applied to AI and data management**	**Design taking into account impact on human rights and accessibility**	**Impact on the environment**

Design ethics

Principles of responsibility towards customers	Ethical principles applied to AI and data management
These are the values that form our customer promise and shape the way we relate to our customers.	The aim is to avoid the possible negative consequences of their misuse.
Simplicity: we ensure that all product and service processes and operations are accessible and understandable to our customers.	**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.
Transparency: we provide all information about our products and services to our customers in a proactive and transparent manner.	**Transparent and explainable:** we will be explicit about the type of data, personal or otherwise, that AI systems use, as well as the purpose for which they will be used.
Integrity: we deliver what we promise.	**People-centric:** the product or service must serve society and must not under any circumstances have a negative impact on human rights or the achievement of the sustainable development goals
	Privacy and security by design: when building AI systems that are powered by data, privacy and security issues are an inherent part of the system life cycle. This principle guarantees 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 so as to ensure that these principles are respected.

Sustainability applied to design

Design that takes into account the impact on human rights and accessibility	Impact on the environment
Products and services that anyone, irrespective of their abilities, can use in a satisfactory, safe and independent manner.	Environmental criteria are incorporated into the design with the aim of reducing environmental impacts while enhancing the benefits the features of the product or service may bring to the environment.
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 our Responsible Business Principles and our Human Rights Policy.	**Design with environmental criteria :** encouraging the development of more sustainable, efficient and circular processes, prioritising the reduction of resource consumption.
Accessibility: making sure that anyone, irrespective of their abilities, can use our products and services in a satisfactory, safe and independent manner, especially those with a web interface or app.	**Waste management:** prioritising material reuse and recycling channels.
	Energy consumption: providing energy efficiency solutions.

It is important to stress that in order to achieve successful implementation we are constantly working to strengthen our organisational culture and to raise awareness of and improve training on the ethical and sustainability principles that are applied to our products and services, especially for our product developers.

Being responsible with our products and services is a way for all of us to make the Company more inclusive, more respectful and more aware of its social and environmental impact. In short, to become a more responsible company, we need to be able to put ourselves in our customers' shoes from the outset and anticipate their needs.

Accessible channels

With the aim of achieving an equal and barrier-free user experience for all our customers, we are working to improve the accessibility of our **shops and our procurement, communication, customer service and support channels.**

For further information, see 2.12. Digital inclusion

2.11.1.4. Progress in 2023

> Eco Smart

Last year we continued developing green digital solutions and rolling out the Eco Smart seal in new markets. Currently, **AENOR** has assessed the solutions catalogues for **T. Tech, Spain, Germany, T. Tech UK&I, Brazil, Chile, Colombia, Mexico, Peru** and Telefónica Global Solutions (**TGS**). Its results have verified 52% of the services we offer the B2B segment as being Eco Smart because of their potential to deliver environmental benefits and contribute to mitigating our customers' impact on the planet.

We also continued evaluating newly launched products and services. Once evaluated, these are added to the catalogue for the Group's companies already verified under the Eco Smart framework in previous years.

> Avoided emissions

Thanks to the efficiencies generated by our connectivity and Eco Smart services, we helped our customers avoid the emission of 86.1 million tonnes of CO_2 in 2023.

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

> Eco Rating

Participation in the Eco Rating project expanded further in 2023, to reach a new total of 11 telecommunications companies and over 20 mobile device manufacturers.

By 2023 the project had been available in all of Telefónica's markets in Europe and Latin America (with the exception of Venezuela as we do not sell handsets there). In the time between updating and launching the new Eco Rating label system in 2021 to the end of 2023, we in Telefónica assessed more than **200 devices.**

> Responsibility by Design

We have evaluated **more than 80 products** under the Responsibility by Design project since its inception. Its principles have been introduced into the development process for new products and services at Telefónica Spain, and over the course of 2023 we began introducing them at Telefónica Brazil.

In 2023 we also started reviewing the **environmental, accessibility and AI requirements** relevant to Responsibility by Design. Our purpose was, on the one hand, to improve the level of excellence of our products and services in terms of ethics and sustainability from 2024 onwards and, on the other, to align ourselves with the European Accessibility Act, which will come into force from 2025.

With regard to the ethical aspects of AI, last year we published our **Artificial Intelligence Governance Model Regulations**. These internal rules define the roles and processes involved in the responsible management of AI, among other things. The document is our frame of reference for all matters relating to the design, development, use, acquisition and marketing of AI systems at Telefónica.

We have also created an app to document the AI systems that are developed, used and/or marketed at the Company, in order to identify associated risks.

Milestones

❶ 52% of Telefónica's services have been verified as Eco Smart.

❷ We implemented the Eco Rating in 100% of our markets.

❸ We published the Artificial Intelligence Governance Model Regulations, which define the roles and processes involved in the responsible management of AI, among other matters.

2.11.2 Sustainable innovation

2.11.2.1. Vision

For Telefónica, putting in place measures to encourage innovation and product development has been an integral part of our business throughout our 100-year history.

We view innovation as the ability to anticipate the future and to understand the needs and challenges our customers and society as a whole are dealing with.

For Telefónica, being a pioneering company means anticipating market needs and tackling social and environmental challenges with an inclusive, ethical and human approach.

Our strategy is built on two pillars:

- **Incremental innovation,** which is about pursuing the continuous improvement of existing technologies to adapt them to new societal demands, thus allowing us to develop more efficient and sustainable solutions.

- **Disruptive innovation,** which enables us to identify new business models capable of transforming the market and contributing to social development.

This innovation strategy is underpinned by a two-pronged approach:

- First, seeking to boost internal and cross-cutting activity throughout the Company, especially from the units of networks and IT systems and the digital service development..

- Secondly, and based on open innovation, seeking to promote the entrepreneurial ecosystem through the support and financing of startups. In addition, we encourage collaboration with technology partners with the aim of attracting the best external innovation available on the market.

2.11.2.2. Governance and policies

Our Responsible Business Principles, the Company's ethical code, are the main framework that set our commitment to innovation. Section five of our Principles describes our commitment to innovation, development and the responsible use of technology.

As innovation is a cross-cutting process that is present throughout the organisation, there is no centralised management. We do, however, have a number of organisational structures that spearhead each of the different key aspects.

The main areas involved in innovation management are:

Internal innovation	**Core innovation**	• Identifies opportunities for reinventing ourselves in the medium and long term. It is managed by Telefónica Digital Innovation.
	Network and systems innovation	• Builds capabilities in order to develop and integrate technologies into our networks and systems. The aim is to offer a unique, competitive, safe and sustainable experience. It is coordinated by the Global Chief Technology and Information Officer (GCTIO).
	Open Gateway	• We are championing this GSMA-led telecommunications industry initiative aimed at transforming networks into global, standardised API (open interface) development platforms. This will allow for a new generation of digital services.
Open innovation	**Boosting entrepreneurship and startups**	• Connects Telefónica with technology disruptors from around the world in order to attract talent and emerging technologies from startups. This allows us to identify the most outstanding projects on the startup scene to invest in, incorporate new solutions into the Company. Wayra and Telefónica Ventures are the two main initiatives involved in this line of innovation.

Main innovation indicators

	2022	2023
R&D+i investment (million euros)	3,721	3,203
Percentage of R&D&I investment/revenue	9%	8%
R&D investment (million euros)	714	785
Percentage of R&D investment/revenue	2%	2%
Percentage annual increase/decrease in R&D investment	(15)%	10%
Patent portfolio	344	374
Industrial design portfolio	91	114
Utility model portfolio	9	9
Industrial property rights portfolio	444	497

These figures have been calculated using the guidelines established in the OECD manual.

R&D Investment by region

- 14%
- 29%
- 22%
- 18%
- 16%

Legend:
- Germany
- Brazil
- Hispanoamerica
- Spain
- UK
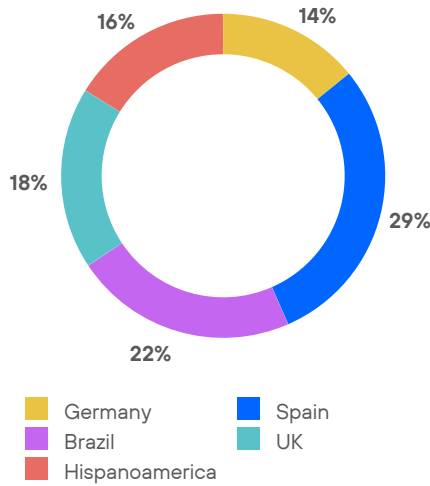
Investing in innovation produces a number of industrial property assets that can become standout features of our future services and/or can be marketed by third parties through licensing.

According to the European Union's Research and Innovation Observatory, we currently rank among the top 50 companies in Europe for R&D investment.

New assets generated in 2023

Assets	Scope
Seventeen Patents	Thirteen European patents Four international PCT patents
Five Industrial design	European Union Intellectual Property Office, United Kingdom, Argentina, Brazil, Chile, Colombia and Peru.

Lastly, in 2023 we developed and expanded the Innovation and Talent Hub at the Company's headquarters in Madrid, which covers lines of work related to connectivity, cybersecurity, AI, the metaverse and computing, as well as initiatives to teach in new digital skills.

2.11.2.3. Impacts, risks and opportunities

Technological disruption, the relevance of connectivity, digitalisation processes and customer experience bring both risks and opportunities.

Innovation itself is essential to ensure a transformation that secures efficiency, business growth and user confidence. In addition, R&D investments are fundamental to our Company's long-term growth, as they foster our productivity and competitiveness.

Of the different potential risks of not tackling sustainable innovation, we must highlight the loss of income due to a portfolio of obsolete products and services that are not adapted to the evolution of market demands. Precisely, a consumer who is increasingly aware of sustainability issues pushes us to improve the quality of our products and incorporate ESG criteria in the design and marketing processes.

On the other hand, there is also a risk associated with misuse of what is being developed, or inadequate technical development. To avoid these cases, we try to carry out a detailed analysis of each objective we want to cover and to evaluate each of the problems we are trying to solve during the whole process of creating new solutions.

Innovation is becoming our main asset for contributing to the Sustainable Development Goals.

When talking about the opportunities generated by innovation, we should mention the new knowledge, technologies and digital solutions that enable us to tackle existing social and environmental challenges and guarantee the future sustainability of our organisation.

They give us the opportunity to reach new markets and customer segments that are interested in environmentally friendly and socially responsible products.

It is also worth highlighting the impact generated by our commitment to innovation. By promoting *startups*, we are fostering social change and economic recovery. Our projects create jobs, improve business competitiveness and contribute positively to the communities in which they are implemented.

2.11.2.4. Action plan, commitments and progress

We are going to analyse the progress of each of the activities developed by the main areas that manage innovation.

> Core innovation

Our priority in this area is to develop new digital services that improve people's lives, and we leverage the Company's main assets, such as its telecommunications networks, digital platforms and information systems to do so. Our current business units – which include IoT, big data and video – have their roots in projects that were developed years ago by the core innovation teams.

Some of the projects that were developed as part of core innovation projects in previous years and began to be marketed in 2023 are:

- **Web3,** which provides a financial layer on top of the traditional web and facilitates frictionless economic transactions online, creating opportunities for innovative business models.

- **NFT marketplace**, a platform for the creation and sale of digital art on which we collaborated with Fundación Telefónica and other social organisations.

- **Digital identity**, a project aligned with the proposed European digital wallet, which seeks to introduce a single Digital Identity system in the EU. With this project, we are creating the necessary capacity to facilitate management of the future digital identity scheme.

- **New Living Apps**, apps available through our television platform that enable innovative marketing schemes such as live shopping, which offers the possibility of incorporating commercial streaming content and providing incentives for shopping as part of the consumer experience. We also moved ahead with including payment capabilities in the Living Apps environment.

- **Cognitive digital marketing**, applying AI algorithms to data. The aim is to achieve better marketing results while ensuring consumer privacy, complying with our ethical commitments in the development of algorithms

and AI, and covering our customers' needs. This initiative has led to the creation of UTIQ, a joint venture involving a number of telcos, through which we are fostering an advertising ID solution that enables customers to retain control over when, how and with whom they share their data.

➕ For further information, see chapter 2.18. Privacy and security.

Lastly, in addition to our role as pioneers in the technological world, we devote a certain amount of our innovation efforts to improving existing technologies. We also work with private and public organisations and with the world of academia on projects that we develop in conjunction with universities at a national and international level.

> Open Gateway

The new technologies incorporated into networks in recent years have opened the door to innovative services being developed and new business models being built around them.

Combining cloud computing with the softwarisation of network elements and functions allows for the development of new business models based on Network as a Service (NaaS). At the same time, telecommunications companies have been upgrading the information systems and software platforms that operate the networks.

All this allows us to make certain functions securely available through standardised interfaces (Application Programmable Interfaces, or APIs) so that other companies can develop end services that are far more optimised and better adapted to the demands of the current market.

The driving force behind this strategic project is the GSMA. By November 2023, 39 mobile operator groups had signed up to the project, representing more than 200 mobile networks and over 60% of global mobile connections.

GSMA Open Gateway was introduced at the Mobile World Congress in Barcelona in 2023. In November, in cooperation with two other leading operators in Brazil, we launched the first three APIs: Number Verify, SIM Swap and Device Location.
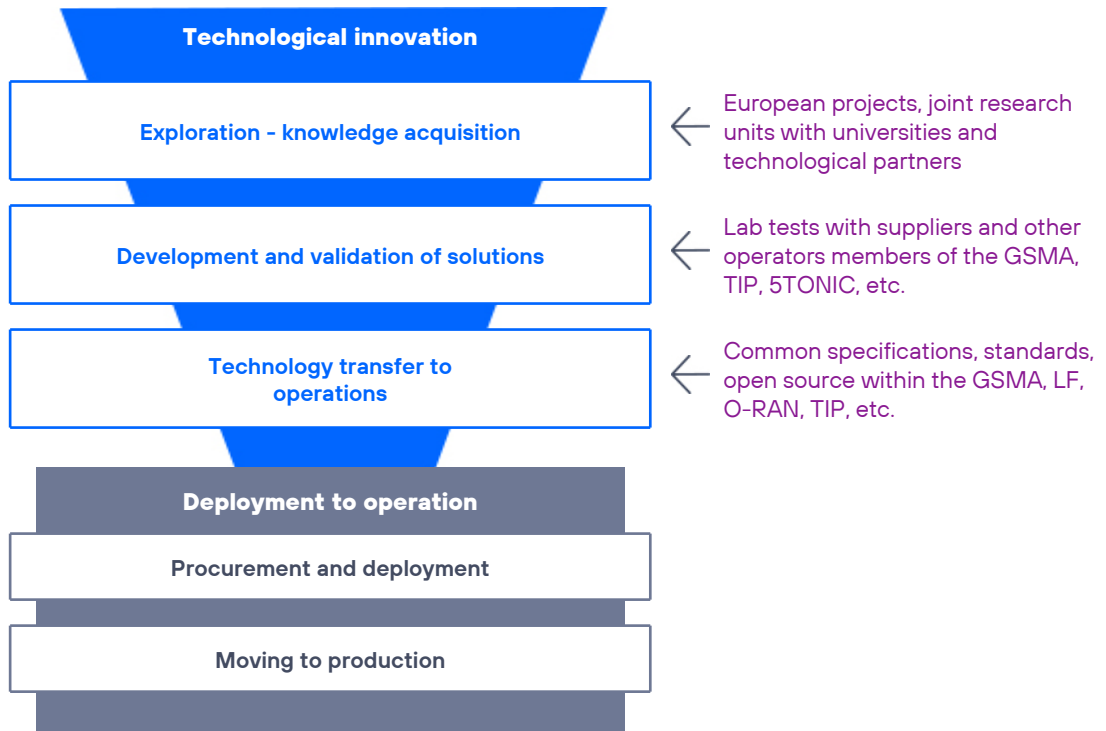
> Network and systems innovation

The main purpose of the activities carried out in this area is to generate new capabilities in the Company's networks and systems in order to facilitate the development and commercial availability of the digital solutions of the future.

For that reason, we cover all stages of innovation, from ideation to sale, and foster collaboration with other operators, partners and customers.

The following diagram shows the different stages of the innovation process:

Stages of the innovation process:

Technological innovation

| Exploration - knowledge acquisition | ← European projects, joint research units with universities and technological partners |

| Development and validation of solutions | ← Lab tests with suppliers and other operators members of the GSMA, TIP, 5TONIC, etc. |

| Technology transfer to operations | ← Common specifications, standards, open source within the GSMA, LF, O-RAN, TIP, etc. |

Deployment to operation

Procurement and deployment

Moving to production

The process ends at the point when the technology is commercially available.

Our activities are organised around our long-term global program, the **Autonomous Network Journey.**

Its primary objective is to harness the potential of transforming our systems and networks principally by shifting to softwarisation and disaggregated architectures. This entails significant changes and improvements, from updating the network architecture itself to adapting processes and ways of working. All this takes place while fostering autonomy through data management, AI and machine learning, at the same time as we continue to maintain a customer-, sustainability- and security-oriented approach.

The program is led by the Autonomous Network Department in collaboration with the Technological Innovation and Ecosystems Department, and is implemented through local projects in each of the Telefónica Group operators.

The three pillars of this program are:

1. **High-capacity and energy-efficient networks**.

2. **Flexible architecture** that is software based and cloud native.

3. **Data- and AI-driven operations** with a high degree of automation and network operator assistance.

The main progress made under each pillar in 2023 is detailed below.

High-capacity and energy-efficient networks

In order to develop capabilities based on improved performance, optimal utilisation and increased efficiency, we have worked on the following lines of activity:

- **New generations of 5G and 6G mobile networks:** we have participated in European projects and demonstrations of the capabilities of 5G via use cases in the health, industrial, automotive and tourism sectors as part of our 5TONIC innovation ecosystem.

  We are currently focusing on advanced 5G and 6G network projects, such as DESIRE6G, ACROSS, PREDICT6G, aerOS, QSNP and 6GXR, in which we promote sustainability, security, data management, AI and quantum communications.

- **Network Slicing:** as part of the LIME project, we established that it is possible to create an end-to-end standalone 5G logical network (Network Slice) automatically, including radio, transport and core networks. We did this through a use case of augmented reality at sporting events, which demonstrated that the networks can be deployed within minutes.

  We alternate performance of tests like these with the exploration of new technologies as part of both European (Hexa-X-II, Trialsnet) and national (6G-Datadriven, 6G-Chronos, 6G-Integration) projects.

We contribute to the development of new mobile communication networks to make them more sustainable and secure.

- **Communications at home:** we are working on the development of a high-performance Wi-Fi solution that will allow us to control and program the home network at a competitive cost. These capabilities will encourage the development and deployment of new services with real-time requirements, such as virtual and augmented reality, video services and 8K gaming.

- **Open and disaggregated networks**: these networks will enable us to increase our flexibility in deploying new architectures, prepare 6G deployment models, programme new use cases and facilitate innovation. Costs will also improve as the supplier ecosystem expands and the sources of supply diversify.

In the area of open networks (Open RAN) we are developing pilots and limited rollouts in the UK, Germany and Brazil. We work with both traditional suppliers, evolving towards Open/Cloud RAN architectures, and new manufacturers to expand the supplier ecosystem in the area of radio infrastructure (Radio Access Network - RAN). These activities are complemented by collaborations with O-RAN Alliance and other European operators through Open RAN MoU.

We are also working on Open Broadband, a new open multi-vendor fixed access solution that enables speeds of 10 Gbps. It is expected to be certified to be ready for deployment in 2024. At the same time, we are innovating in relation to a future move towards 50G-PON technology and are lab-testing the preliminary prototypes.

Lastly, research work on high-capacity technologies in the access network deserves a special mention. In 2023 we demonstrated that coherent optics could be used to provide point-to-point channels with up to 200 Gbps symmetric speeds over a fibre optic access network. Our work included the specification, laboratory testing and validation work on disaggregated solutions for optical transport and IP, which made it possible to deploy the technology in markets such as Germany.

In addition, alongside other operators, we use the technical specifications of the Telecom Infra Project (TIP) in our procurement processes, and the first solutions are already being certified.

- **Quantum communications**: we are working on new technologies that are still in development, such as quantum key distribution (QKD) and post-quantum cryptography (PQC).

  We have deployed a quantum communications ring in Madrid, where we have verified the integration of QKD technology in a real-world environment and incorporated it into the European Quantum Communication Infrastructure (Euro-QCI).

  We also launched two projects in 2023 to study the convergence of quantum-safe solutions (PQC and QKD) and demonstrate their use via use cases related to software-based network environments.

  We participated in two of the European Commission's flagship quantum projects: QIA, which focuses on the architecture of the new quantum Internet; and QSNP, which focuses on quantum-safe networks.

  We successfully completed our demonstration of QKD network interconnection using PQC technologies, which we began under the OpenQKD project; we also put forward benchmark architecture for the quantum internet of the future at the Internet Research Task Force (IRTF).

Finally, we would like to highlight our ongoing collaboration with the GSMA's Post-Quantum Telco Networks project; we have identified requirements for the evolution of cryptography and published a roadmap towards **secure networks in the era of quantum computing.**

Software- and cloud-based architecture

In 2023 we focused on 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 multi-cloud hybrid environments.

We led the Open Source MANO (OSM) project at the European Telecommunications Standards Institute (ETSI), which is developing an open solution for the management of virtualised network environments. We also helped to prepare a technology and investment roadmap for the new generation of cloud and edge computing in Europe as part of the European Alliance for Industrial Data, Edge and Cloud. In addition, we obtained approval from the European and Spanish authorities to start a project of this type in Spain. This initiative falls under a European project, IPCEI-CIS, which incorporates major innovations in the areas of sustainability and security, among other topics.

The work we have done helps us to meet EU requirements in relation to privacy, security and energy efficiency, and to contribute to the EU's digital targets for 2030 (the Digital Decade).

Data- and AI-driven operations

We are exploring solutions that make it easier for our technical teams to make decisions more efficiently and quickly, taking advantage of the benefits of **AI and machine learning**, as well as the large volume of **data in our network**. We are preparing for future use cases that represent a true revolution and place AI at the heart of new autonomous networks.

In 2023 progress was made in all of the Telefónica Group's operations in terms of automation and autonomy in the planning, testing, deployment, operations, and network domains (fixed and mobile access, transport and core) and cloud infrastructure optimisation processes.

We explored new technologies such as digital twins in the "Customer Experience (CX) and Automation" project within the TMForum. As part of this initiative, we took the customer experience index and AI techniques, and tested the use of generative AI in customer service assistants.

Lastly, we continued to support our **Telefónica Technology & Automation LAB**. This is an open innovation laboratory for cutting-edge technologies and next-generation network automation; it is an essential node of knowledge inside the **Innovation and Talent Hub at Distrito Telefónica.**

> Open innovation

For the past 15 years, Telefónica Open Innovation has been supporting the Group as it searches for and invests in innovative startup solutions that will enable us to meet our challenges as a company, as a sector and as a key player in social progress.

Our open innovation strategy pursues three objectives:

- **To internally transform** Telefónica by incorporating startup-developed technology and products (digitalisation, automation and cultural change).

- **To identify disruptive trends** and opportunities for growth (game changers).

- **To generate new revenue streams** and financial returns from investments.

Today, of the more than 1,100 enterprises we have invested in, over 370 startups have ended up working with Telefónica, generating an approximate value of over €800 million for the Company. Most importantly, we have taken their innovative solutions to our customers as well, to help them with their digital transformations and to enable them to generate efficiencies internally.

We firmly believe in the transformative potential of innovation and technology to forge a sustainable future. W**e are signatories to the United Nations Principles for Responsible Investment (UN PRI),** which entails integrating ESG targets and factors into all our investment decisions. Our vision is to lead the way to responsible, inclusive and sustainable digitalisation, while also boosting responsible investment in the venture capital community.

Main initiatives of the Open Innovation area

Wayra	This has been our flagship open innovation program since 2011. 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 major stakeholders). We have innovation hubs, which are spaces that allow us to showcase the most innovative startup technologies to our customers and partners. In total, over €70 million has been invested in more than 850 startups. The portfolio currently holds more than 400 startups.

Wayra includes a corporate venture capital fund and always invests alongside other leading venture capital firms in late seed startups and sectors such as entertainment (gaming and video), IoT, big data, AI, eHealth, fintech, energy, the metaverse and Web3. Furthermore, since 2022, Wayra has also been managing the capital of Telefónica Group companies that has been earmarked for investing in startups through Vivo Ventures in Brazil and Íope Ventures with Telefónica Seguros. |
| **Telefónica Ventures** | This is our corporate venture capital vehicle for more strategic investments. The intention is to address the main challenges facing the telecommunications industry and create new businesses by leveraging cutting-edge technologies.

Telefónica Ventures invests directly in startups during the growth stage, with investment tickets ranging from €350,000 to €5 million, and it invests indirectly through a network of the leading venture capital funds in key markets. Among the most significant funds is Leadwind, in which we are an anchor investor. This fund invests in deep tech scale-ups in southern Europe and Brazil.

Since its launch in 2006, Telefónica Ventures has invested a total of €160 million; it has a current portfolio of 19 startups it has invested in directly, plus over 120 startups it has invested in through its network of 14 venture capital funds. |
| **Innovative services** | After 15 years of encouraging and investing in startups, we have achieved a degree of experience that we share within Telefónica and with the other corporations we help to implement their own open innovation initiatives.

We have created a network of over 140 partners, consisting of large companies, governments and other players. Through the network we are able to work collaboratively with our partners and obtain mutual benefits. Two major alliances are particularly noteworthy: Alaian, the mission of which is to reinvent the telco industry by identifying disruptive startups and providing them with access to a network of one billion customers; and the Open Future accelerator network in Spain and Hispanoamerica, which fosters the creation of an entrepreneurial ecosystem outside of cities.

We develop programs with third parties in strategic verticals with a view to securing our position as the main partners of future game changers. Some examples are the Brazilian Development Bank (BNDES) in Brazil; the Inter-American Development Bank (IDB) (to boost corporate venture capital in Latin America); and Hotelbeds, Desigual and Opentop in Spain. |

Stages of open innovation

SEED · · · · · · · · · · GROWTH · · · · · · · · · · SCALEUPS · · · · · · · GAME CHANGERS

Pre-Money Valuation	<€40M	from €40M - 200M		+€250M

WAYRA	THIRD-PARTY FUNDS	LEADWIND

	TELEFÓNICA VENTURES	INVESTMENT OPPORTUNITY
ÍOPE VENTURES	VIVO CVC	

TICKET   50 K€ —————— 300 K€ - 350 K€ —————— 5 M€ —————— +25 M€

■ Direct Investments in startups   ■ Investments as LPs in third party funds   ■ Capital management of Group companies for investment in startups
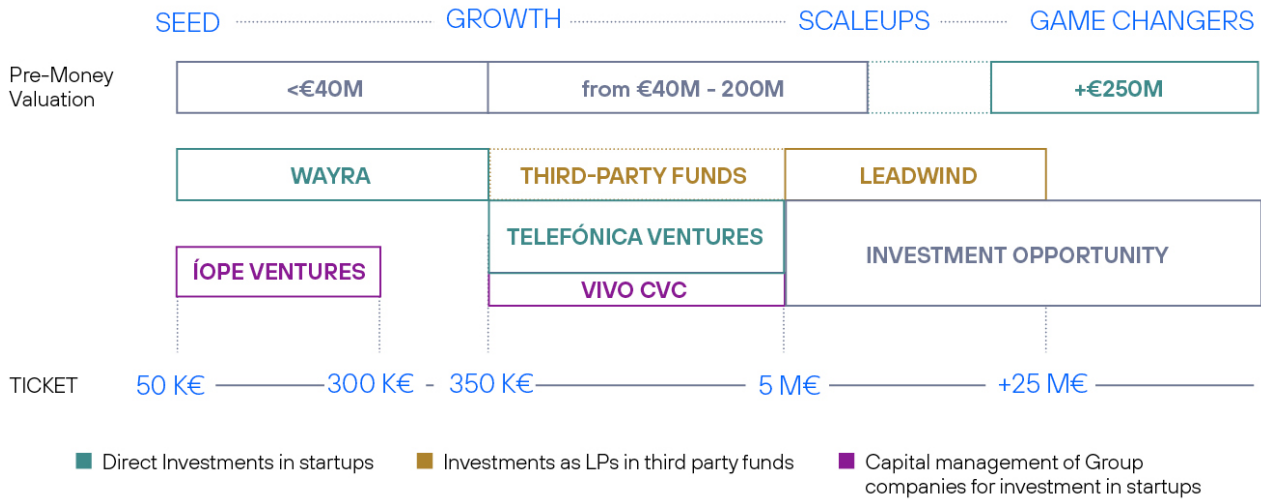
Main open innovation indicators

Main indicators	2023
Open Innovation portfolio/active startups	538
Startups working with Telefónica	195
Countries in which it is present	11
Wayra hubs	7
Open Future spaces	21
Startups invested in by Wayra since the program began (2011)	884
Startups invested in directly by Telefónica Ventures since the program began (2006)	38
Direct investment in startups in 2023 (million euros)	7,8
Startups invested in by Telefónica Ventures through other funds	218
Investment in startups through third parties (million euros)	3,500
Total cumulative investment (Wayra + Telefónica Ventures, direct and indirect) (million euros)	233

Direct investments

In 2023 we invested €4.8 million in 26 startups through Wayra, and €3.4 million in six startups through Telefónica Ventures.

Our main areas of investment include projects related to:

- **Fintech**, where Wayra has invested in **Uelz Pay,** a tool that automates payments via different methods and gateways, and **Invopop**, a software company that provides automation solutions for issuing electronic bills.

- **Networks and connectivity**, with investments in **Airalo**, an eSIM company that connects users in over 200 countries and regions, Hiya, a voice security platform designed to prevent fraudulent calls, and **Honest Mobile**, a mobile network that operates in the UK.

- **Logistics and Transportation**, by taking up stakes in **Just Move In**, a home set-up service that simplifies all the tasks involved in moving house, **Moova**, a platform that provides solutions for last-mile deliveries, and **Cafler**, which has a delegated mobility proposition.

- **Artificial intelligence**, with our investments in **Pentad**, a system that helps brands and agencies to reach new audience segments in real time, **Erudit**, which helps improve well-being and cultural-educational activities**, Lucida Medical**, a software program that supports analysis of MRI results for cancer treatments, and **Celes**, a platform that optimises analysis of the distribution sector.

We also invested in companies with solutions that protect the environment, such as **ERCO Energía**, which generates and markets renewable energy for business. We also renewed our support for **Raylo**, a marketplace for renting new and refurbished devices.

We invest in startups and companies in sectors that strengthen our ESG strategy.

In the social domain, we have invested in educational companies such as **BCAS**, which finances post-secondary education for students who will have to return the loan only when they start work and depending on their salary, and **ADA Tech**, which trains candidates in the programming skills required by the client company.

We have also invested in other companies with a social impact, such as **Glim**, which fosters the financial well-being of employees by enabling payment in digital dollars in regions with weak local currencies. We also supported inclusion by reinvesting in **Visualfy**, which transforms sounds into illuminated signals for people with hearing difficulties.

Corporate Venture Capital

Through **Vivo Ventures,** we invest in growth-stage Brazilian startups that offer B2C solutions in the fields of health, education, financial services, smart homes, entertainment and the technology marketplace. In 2023 we invested in **Klubi**, a fintech startup, and **Digibee**, a platform for business integration as a service.

In addition, at the end of 2022 we teamed up with Telefónica Seguros to launch **Íope Ventures,** through which we search for fintech and insurtech startups with the potential to transform and boost digitalisation in the insurance sector.

Last year we made our three first investments through this vehicle. We invested in **Bdeo**, which offers an AI-based technology solution capable of detecting damage to vehicles and the home, **Wenalyze**, a big data analytical platform that enables banks and insurers to discover new selling opportunities, and **Mitiga**, a climate technology company that centres on minimising climate-related risks.

Indirect investments

Among our indirect investments, we must highlight the final closing of **Leadwind** in October 2023 at $250 million, with Telefónica's contribution as the anchor investor of €70 million. After having been in operation for over a year, during which time it analysed more than 300 companies, the new vehicle has completed its five first investments. These are: **Factorial**, staff management software; **nFlux**, which applies a computerised vision to factory-based assembly work; **Quibim**, AI applied to the healthcare world; **Voicemod**, voice modulating software; and **Digibee**, an integration platform that facilities digital transformation.

Innovative services

Over the course of the year, we participated in over 30 open innovation projects with strategic partners, including:

- **EU-LAC Digital Accelerator,** a project funded by the EU that seeks to contribute to innovation and digital transformation in Latin America and the Caribbean by accelerating collaborations between startups and the private sector.

- **Adventure Labs**, the innovation hub of the PortAventura theme park in Spain, where we led the scouting for technological solutions that will help define the future of the entertainment and theme park industry.

- **Grupo Energía de Bogotá (GEB),** which has trusted Wayra to foster the growth of energy startups, pursuing innovative solutions that contribute to transforming the energy sector in Latin America.

- **Corporate Impact Venture (CIVLAC)**, the initial collaborative program instigated by the IDB to promote links between large companies and impactful startups that are looking to provide solutions to environmental or social challenges.

- **Astra Zeneca**: a pharmaceutical company that has placed its trust in us, as a strategic partner, for the launch of an open innovation program structured around AI, IoT and healthcare solutions.

Milestones

→ Initial launches of Open Gateway-based solutions.

→ Development of the Autonomous Network program focusing on sustainability and customers.

→ As part of our open innovation program we have an investment portfolio consisting of 538 active startups.

→ We demonstrated our commitment to the United Nations Principles for Responsible Investment.

2.12. Digital inclusion

Key points

Leaders

in digital inclusion according to the World Benchmarking Alliance since 2021 for promoting a more inclusive economy and society.

92%

of the population in all our markets has access to our 4G/LTE mobile broadband coverage.

>1.2M

people given digital skills training to improve their skills and employability.

2.12.1. Vision

As part of our purpose to "make our world more human by connecting lives", at Telefónica we are committed to **bringing the best connectivity and the latest technology to everyone**, advocating for an **ethical, people-centred digitalisation.**

The most vulnerable groups in society are particularly affected by difficulties regarding the access to digital technologies, in particular groups with some form of disability, older people, rural populations, indigenous communities, etc.

Therefore we consider **digital solutions as facilitating tools** to eliminate seemingly insurmountable barriers and leave a positive mark on society by helping communities transform and boosting the economy.

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

2.12.2. Governance and policies

Our **Responsible Business Principles** (the Company's code of ethics) is the main framework where our commitment to digital inclusion is reflected. The various sections of this code reflect the importance we assign to issues such as digital rights, innovation, the development and responsible use of technology, and our commitment to the societies where we operate.

Digital inclusion is a core value for our entire organisation. Our commitment to digital inclusion in general, as well as to more specific aspects such as the responsible use of technology, accessibility and promoting digital skills in society, is set out in our Responsible Business Principles among other corporate regulations, including our Diversity Policy and our Responsible Communication Regulation. Several of the Company's areas and units work side by side to make digital inclusion a reality, the most noteworthy being the areas of Network Operations, Innovation, Fundación Telefónica and the Global Sustainability (ESG) Office .

For its part, the Sustainability and Regulation Committee of Telefónica's Board of Directors 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.

Strategic pillars for digital inclusion

Inclusive access

→ **Connectivity rollout**
Guaranteeing that everyone has access to broadband communication networks in all regions, both urban and rural

→ **Accessibility and technologies at the service of people with disabilities**
Ensuring that our digital services can be accessed by all and guaranteeing that 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

Digital skills training

→ **Basic digital skills**
Offering our knowledge and skills to improve the digital abilities of those who need them most

→ **Intermediate digital skills**
In line with our goal, training people in the use of programming tools and technologies in order to improve the skills of the entire population

→ **Employability and advanced digital skills training**
Training young people for the careers of the future that will require advanced knowledge of technology and communications

Innovation and relevant services

→ **Sustainable innovation: new services with a social impact**
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 the responsible use of technology

Digital inclusion KPIs

		2022	2023
Digital Inclusion Benchmark (WBA)	Ranking Position	1º	1º
Connectivity	Own and third-party premises reached by UBB	168,057,417	173,071,315
	Percentage of mobile coverage in rural areas in our main markets	80% - 99%	82% - 99%
	LTE/4G coverage	90%	92%
	Spain		
	Percentage of mobile coverage in rural areas	94%	95%
	Percentage 4G coverage	98%	98%
	Percentage 5G coverage [1]	85%	87%
	Germany		
	Percentage of mobile coverage in rural areas	99%	99%
	Percentage 4G coverage	100%	100%
	Percentage 5G coverage [2]	80%	95%
	Brazil		
	Percentage of mobile coverage in rural areas	80%	82%
	Percentage 4G coverage	96%	96%
	Percentage 5G coverage[3]	NA	48%
	UK		
	Percentage of mobile coverage in rural areas	99%	99%
	Percentage 4G coverage	99%	99%
	Percentage 5G coverage	43%	51%
Accessibility of products and services	Number of products and services evaluated according to accessibility criteria[4]	28	26
Affordability - Universal Service	Millions of euros	212	139
Digital skills training	Beneficiaries of digital skills development programs[5]	1,305,715	1,251,354
	Beneficiaries of basic digital skills development programs	1,779	333
	Beneficiaries of intermediate digital skills development programs	1,299,086	1,243,743
	Beneficiaries of advanced digital skills development programs	4,850	7,278

[1] Spain's technical criteria 74%.

[2] Germany's technical criteria 84%.

[3] Brazil´s technical criteria 14%.

[4] The number of products and services assessed against accessibility criteria in 2022 has changed from the number given in the previous Sustainability Report due to a reporting error. The relevant corrections have been made.

[5] A total of 1,251,354 people have been trained through the following projects: "Lanzaderas", "Conecta Empleo", "Piensa en Grande", "Competencias Digitales de Educadores" and "Escuela 42".

2.12.3. Impacts, risks and opportunities

The aim of digital inclusion is to ensure that all people have access to ICTs (information and communication technologies) and know how to use them effectively to improve their quality of life and economic well-being.

As a telecommunications company, Telefónica, plays an key role in this regard, as its business activities can have an impact on digital inclusion,

With regards to the **impacts** of digital inclusion, these can be both positive and negative. The most significant of its potential positive impacts on society are:

- enabling individuals and society as a whole to benefit from digitalisation,

- contributing to the economic development of local communities by providing a reliable, robust and efficient network,

- promoting digital connectivity and services in rural communities to ensure an equal distribution of economic benefits in the digital age.

On the contrary, it is crucial to minimise the potential impacts of a widening digital divide, such as issues related to the accessibility or affordability of the solutions offered and the potential effects that the installation of network infrastructure may have on property rights. Furthermore, it is essential to ensure that we protect vulnerable groups from potentially inappropriate content.

That is why we work to offer products and services that are tailored to the needs of society, making sure no one is left behind regardless of race, physical ability, gender, age or socioeconomic level.

Finally, we should stress that digital inclusion poses a major risk, it being the so-called digital divide, which is caused by a lack of accessibility, affordability problems, digital skills, infrastructure or relevant services for users.

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

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

2. **Lack of digital knowledge and skills** among the population.

3. **Affordability of prices for basic services** preventing people on limited incomes from accessing new digital services.

4. **Relevance and usefulness** of new services that make them attractive to use.

5. Concerns about the **security and privacy** of technology solutions, and the risks associated with the use of online services.

In addition to these barriers, we should also consider the **risks associated with the regulations** that shape the context in which we operate.

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 come to function as society's **"nervous system"** by keeping enterprises and communities active and connected and by delivering solutions capable of addressing the major challenges contained in the United Nations Sustainable Development Goals (SDGs).

Therefore, not only can we make a positive contribution to social development by promoting the safe and responsible use of technology and the digital capabilities of society, but doing so also offers an **opportunity for our business to grow.** Connecting new population segments or regions and developing new accessible digital services that are easier to use will enable us to guarantee a promising future for the Company.

2.12.4. Action plan, commitments and progress

We explain below our work in the pillars of digital inclusion: inclusive access, digital skills training, innovation and relevant services, and the safe and responsible use of technology.

2.12.4.1. Inclusive access

We are working on several lines of action to ensure that everyone has access to digitalisation:

Connectivity rollout

The deployment of telecommunications infrastructure and the supply of digital services are essential for the economic and social development of any given region.

The following initiatives help us achieve this:

We connect the unconnected

Despite the large-scale deployment of networks around the world, millions of people still do not have access to the Internet, or the connectivity they do have is very limited, especially in rural or remote regions.

We therefore promote the rollout 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 infrastructure under agreements with third parties that will enable us to provide mobile broadband and fibre services in rural areas.

We evolve and upgrade communications networks to provide the capacity needed for an increasingly digitalised economy.

New digital services require new advanced infrastructure capable of ensuring sufficient capacity to use them. That is why we are upgrading and expanding our networks to next-gen technologies that offer ultra-broadband services (5G and fibre optics).

Connectivity targets

We have set the following targets to ensure we continue rolling out the best and most efficient connectivity:

- 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.

- Exceed **100 million premises reached by fibre to the home (FTTH) by 2026** globally (74 million at the end of 2023), including 30 million premises reached by Telefónica Infra (21 million at the end of 2023).

At country level:

- **Spain**: achieve 100% fibre optic coverage by 2024. A further goal is to extend coverage until reaching five million fibre optic accesses in rural areas by the end of 2024 through Bluevía, the company set up between Telefónica and a consortium comprising Vauban Venture and Credit Agricole Assurances.

- **Germany**: promote the rollout of fibre optics in rural municipalities in collaboration with other partners. Our joint venture with Allianz aims to provide service to 2.2 million people over the coming years (approximately one million by 2026) by investing €5 billion, predominantly in rural areas. This will take us to 50,000 km of fibre optic installed over the six years since its creation in 2020.

- **Colombia**: bring FTTH to four million locations in around 90 cities through the company set up by Telefónica and KKR within three years of its creation in 2021. This will help the Government of Colombia reach its target of connecting 70% of all homes and, above all, will help to improve connectivity speed in the country which, in turn, will advance progress towards the goal of eliminating inequality in the digital transformation.

- **Brazil**: bring fibre infrastructure to five million homes and businesses through FiBrasil, the joint venture set up between the Telefónica Group and CDPQ, in the four years following its launch in 2021.

- **Peru**: uphold our commitment to democratising Internet access by rolling out coverage in remote regions of the country through the Internet for All project. It was launched in 2018 and jointly developed with Facebook, IDB Invest and the Development Bank of Latin America (CAF).

- **United Kingdom**: reach 70% of the population with 5G by 2026. A further goal is to expand coverage of the fibre optic network to five million additional homes by 2026 through the new company set up between Telefónica, Liberty Global and Infravía.

Progress on connectivity

Through our connectivity roll-out, we want to ensure that all people, both in urban and rural environments, have access to broadband telecommunications networks.

Our work has enabled us to consolidate our **global leadership position in the field of digital inclusion, as recognised by the Digital Inclusion Benchmark (DIB).** This ranking, which is key to our stakeholders, explores what the most influential technology companies are doing to promote a more digital and inclusive economy and society.

Telefónica has continued in its efforts to deliver networks that are primed to provide the best service to customers and manage growing traffic volumes.

With regard to **fibre**, we retained our position as a world leader, offering an optimal (XGS-PON-ready) solution for the next 50 years. More than half of fibre networks belong to our company. We also own the largest UBB coverage outside China.

In turn, our **5G network** already covers the majority of the population in Germany and Spain, as well as half of the population of Brazil and UK. We continued to expand our coverage in other operations too. We also launched 5G+ (5G SA) in Spain, Brazil and Germany, while UK launch is expected in the coming months. This technology enhances the user experience and enables companies to deploy advanced mobile connectivity services. Full 5G SA mass commercial deployment in our main markets is expected between 2023 and 2025, depending on the availability of the technology, devices and the spectrum, as well as specific market conditions.

Our 4G/LTE coverage reaches over 96% of the population in the four main markets in which we operate.

Meanwhile, and in line with the target set for mobile **broadband deployment in rural areas**, we achieved the following coverage percentages in rural areas by year-end 2023: 95% in Spain, 99% in Germany, 99% in UK and 82% in Brazil.

It is worth noting that part of our sustainable bond funds, **totalling €2.75 billion through to 2023, have been allocated to bringing connectivity to unconnected regions and improving Internet access in rural areas** as a way to help narrow the digital divide.

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Bridging the digital divide in Latin America means defining new solutions that meet the specific needs of its rural areas. Telefónica's proposed model is based on innovation, cooperation and sustainability. In 2023 we participated in the first meeting to promote digital inclusion in Latin America, a space in which the main actors in the sector met to exchange ideas, thoughts and good practices that will help with the challenge of reducing the digital divide in the region.

Also in 2023, we reaffirmed our partnership with CAF, Development Bank of Latin America, through a new Framework Cooperation Agreement that will further accelerate digitalisation in the region and contribute to SDG 9 of the 2030 Agenda.

We also work with the OneWeb high-performance satellite service to support connectivity expansion in Europe and Latin America. Together we will complement the current offering and reach new regions.

Accessibility and technologies at the service of 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. For this reason, we are committed to the inclusion of people with disabilities and strive for universal accessibility on all four levels of the Telefónica Accessible strategy: People, Processes, Facilities, and Products and Services.

With that in mind, in 2020 we became a signatory to the GSMA's Principles for Driving the Digital Inclusion of Persons with Disabilities, 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. Also, it translates into actions aimed at improving the accessibility of our customer service and communication channels.

The Responsibility by Design project is aligned with this commitment. Within this framework, we incorporate accessibility as a requirement for our online developments in line with the guidelines defined by the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C).

We also strive to develop innovative solutions to improve the quality of life of people with disabilities. These include:

- Movistar Plus+, the world's first private television service that enables triple accessibility (audio description, subtitles and sign language) access to an extensive catalogue of content via the 5S feature.

- Accessible points of sale (PoS) for ONCE Foundation vendors that include text-to-voice conversion systems and a Braille screen, among other accessibility features.

- ViveLibre, a telecare and support service providing personal autonomy and healthcare for people with disabilities, led by ATAM.

In addition, through Wayra, we support startups that facilitate access to digital content and tools for the elderly and people with disabilities.

To generate support for achieving our targets, we raise awareness and train the departments and business units responsible for developing solutions. We also have a catalogue of accessibility handbooks and training courses that we make available to the entire workforce in order to guarantee accessibility on the main platforms and channels that we use to engage with our stakeholders.

We work with benchmark associations to gain a better understanding of the needs and demands of this segment. In Spain, we work with the ONCE Foundation, Ilunión, CNSE and the DKV Integralia Foundation, among others. In addition, Fundación Telefónica is part of the Technology Alliance for Inclusion. On a global level, we take inspiration from such significant initiatives as The Valuable 500.

At the same time, we endeavour 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, and striving to eliminate potential barriers throughout the customer journey.

In this regard, our websites comply with Level AA of the Web Content Accessibility Guidelines 1.0 (WCAG 2.1) established by the W3C. We also offer a video-interpretation service for hearing-impaired customers in countries such as Spain, Brazil, Germany and Colombia as an alternative to telephone customer service.

With reference to our **stores**, we offer priority in-store customer support and video-interpreting services in countries such as Chile, Colombia and Brazil. Additionally, audio induction loop services for those with hearing loss is available in markets such as Spain and the United Kingdom. In Argentina we have developed and implemented an inclusive customer service API tool, which reduces barriers in face-to-face communication through an app. In the same country, we have implemented an intermediary service for people with hearing loss on our website. Meanwhile, in Mexico we offer our service contracts in audio format and video format with sign language.

We also train our sales staff on how to specifically serve customers with disabilities and we offer them priority service in our customer service centres. In this regard, in countries such as Colombia we have a Special Care Protocol for People with Disabilities.

As for our handsets, we provide information on the accessibility features of the mobile devices in our catalogue and work with mobile device manufacturers to develop new features that make them more accessible and easier to use for people with different abilities.

Targets for technologies at the service of people with disabilities

As part of the Responsibility by Design project, we are committed to making **100% of new products and services accessible by design by 2025.**

Progress on technologies working for people with disabilities

In 2023, under the Responsibility by Design internal assessment framework, we evaluated 26 products against accessibility criteria.

We also continued to enhance our flagship solutions so as to address the needs of older people and people with disabilities:

- Movistar Plus+ 5S, the feature that allows customers with hearing or visual difficulties to access content on the Movistar Plus+ television platform, continued to increase its offer to more than 1,200 pieces of content with triple accessibility in 2023.

- Mapcesible, the collaborative platform that facilitates mobility and identifies how accessible buildings, venues, and tourist sites are, has increased the number of mapped locations by almost 5,000 in 2023, surpassing 41,000 places.

- ViveLibre, the digital solutions platform that supports personal autonomy and healthcare for people with disabilities and dependent people, launched several projects in 2023, which were financed through Next Generation funds. This platform is geared towards the experimental implementation of the technologies developed by ViveLibre in more than 400 homes. In this regard, it has deployed an industrial production process for home sensor devices, entrusting a special employment centre (a business that creates job opportunities for people with disabilities) with the component assembly process. The data analysis teams continue to improve the algorithm for producing predictive indicators aimed at preventing possible incidents, and they do so in a non-intrusive way, guided by the user's preferences.

Throughout the year, we continued to establish partnerships and form part of associations of organisations committed to bridging the digital divide for people with disabilities. One example is Fundación Telefónica's adhesion to the Technology Alliance for Inclusion, an initiative financed by the European Union (EU). In Spain, we renewed the INSERTA Agreement with Fundación ONCE and expanded the pool of expert entities with which we collaborate, adding organisations such as Fundación DKV Integralia and Applause, among others. In Germany, we participated in the D21 Digital Future Challenge university competition, in which students were able to reflect on how to improve the accessibility of our artificial intelligence (AI) solution, Aura.

In UK, the role of Accessibility & Inclusive Design Lead became particularly significant. This role plays a key part in supporting our business areas to ensure our products, services and programs are accessible from the conceptualisation and design phase. Meanwhile, in Brazil, we created an interdepartmental accessibility team to ensure a barrier-free experience for customers and employees.

Lastly, it is worth highlighting that in 2023 we continued to expand the range of accessibility training on offer, and we did so through new resources designed for the entire workforce. For example, we created video clips on the specific needs of people with physical, audiovisual, organic, intellectual and mental disabilities. We also continued to offer training to employees in those areas that have particular responsibility for promoting accessibility across the business, such as Branding and Product Development.

Affordability

Rolling out connectivity always entails a cost that has an impact on the prices of the services offered.

Although the uptake costs of fixed broadband and especially mobile broadband have declined over the past decade, we are continuing to work on new business models that will allow us to offer increasingly affordable tariffs so that we can ensure universal access to communications services.

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

Affordability targets

Our goal is to guarantee that all segments of the population enjoy access to basic communications services. We analyse and seek business models that facilitate this access in each of the countries in which we operate.

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

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

Progress on affordability

In Spain, as a result of our designation as the operator responsible for providing the Universal Service for 2023 and 2024, we expanded our social tariff options. The main change compared to the previous year was the incorporation of Internet browsing, unlimited calls to Spanish landlines and a monthly plan offering 50 minutes for calls from landlines to Spanish mobiles.

These rate reductions are a benefit that Movistar offers to retirees and pensioners when they sign up for a fixed telephone line or a fixed line plus Internet connection, provided that they meet certain requirements:

1. Recipients must be retired, pensioners or receiving a private pension recognised by a court ruling.

2. The sum total of household income and earnings may not exceed €10,080[6] .

3. The telephone line installation address must be the same as the registered home address of the line holder, who may not have another line falling under this category.

In 2023 we invested in the Universal Service in seven countries:

Universal Service (millions of euros)

Countries	2022	2023
Argentina[7]	38	3
Brazil[8]	75	83
Colombia[9]	67	38
Ecuador[10]	4	3
Spain[11]	13	0
Peru	12	11
Venezuela	3	1
Total	212	139

2.12.4.2. Digital skills training

We are committed to bringing the enormous opportunities that technology provides to as many people as possible, and we know that a key part of that goal lies in ensuring people have the digital skills needed to make effective use of digital services.

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

Working mainly through Fundación Telefónica and our Telefónica Educación Digital business unit, we facilitate education at several levels to **help people acquire the digital knowledge and skills they need to access the Internet** and make use of new services:

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

1. Basic digital skills

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

2. Intermediate digital skills

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

3. Employability and advanced digital skills training

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

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[6] Equivalent to 120% of the IPREM (Public Indicator of Income for Multiple Purposes) according to the last Personal Income Tax Certificate available at the time of applying for the social tariff plan.

[7] Argentina: November and December are provisional values. Due to the devaluation of the currency, the value in euro is much lower.

[8] Brazil: FUST 300,839,399.19 and FUNTTEL 150,419,697.39.

[9] Colombia: The fourth quarter figure is an estimation. Includes payments for the consideration for provision of ICT and TV services and the Point-to-Point Spectrum.

[10] Ecuador: The payments correspond to the 1% Universal Service (made quarterly, within 15 days after the end of each quarter of the calendar year). Includes payments for SMA, LDI, Portador and Internet access. Due to the devaluation of the currency, the value in euro is much lower.

[11] Spain: The 2023 Universal Service figure is pending approval of a new cost methodology to calculate the service cost in accordance with the new requirements set out in the Ministerial Order appointing Telefónica de España for the 2023 and 2024 financial years.

Basic skills training

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 programs can be highlighted:

- *Digital mobil im Alter* (Digital Mobile for Seniors) in Germany: a training program to teach 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 (our flagship store on Gran Vía in Madrid and the Movistar Centre in Barcelona) help answer questions about technology and services and give recommendations and advice on better use of mobile devices.

- *Reconectados* **(Spain) and** *Renacer Digital* **(Hispanoamerica, Germany and UK):** a free and comprehensive digital skills training program for older people and those around them. It trains both family members and professionals from the social entities working with these people so that they can support the elderly in their learning process.

- **ProFuturo:** program launched in 2016 with the aim of contributing to the improvement of educational quality in the world. It offers training to teachers, as well as access to digital resources to children living in vulnerable environments in Latin America, the Caribbean, Africa and Asia.

Intermediate digital skills training

As we are aware that digital skills are essential for gaining access to the modern labour market, it is worth mentioning *Conecta Empleo*, one of the most renowned employability programs run by Fundación Telefónica. The program offers free online courses and digital tools so that people can train for the most in-demand jobs.

Through *Conecta Empleo* we have launched *Profesionales 4.0*, an initiative developed 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 programs. This initiative has run four times since 2020.

In addition, the *Conecta Empleo* program also has an **employment map,** which helps people choose courses according to the most in-demand digital jobs, and a **virtual career coach**, a chatbot based on AI and big data that advises participants on the most suitable career path for them.

The program also includes *Lanzaderas Conecta Empleo,* comprising *Lanzadera Conecta Empleo, Satélites de Empleo* and *Alfabetización Digital.* The goal of this initiative is to adapt career guidance to the challenges of the digital age and the ever-changing labour market.

Other initiatives are aimed at promoting the **responsible, ethical and healthy use of technology** among 11-16-year-olds. Through these initiatives, this demographic can **learn about digital skills and the risks arising from the misuse of technology.**

Provided by Telefónica Volunteers, the initiatives include **training for teachers and family members.** They are:

- **Líderes Digitales:** support workshops for teachers, students and families to work on digital skills and promote the good use of technology in schools selected by the government institutions.

- **Aura Cibersegura**: an initiative promoted by Telefónica Tech and Fundación Telefónica that provides workshops to children and young people in educational centres in order to raise awareness of the risks of misusing the Internet and social media as well as good practices

Lastly, we also have **techno-educational activities** within this training framework, which are aimed at promoting the development of scientific and technological skills and STEAM careers from an early age.

Employability and advanced digital skills training

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

"42" offers free and open training in four locations throughout Spain. Its educational model is based on peer-to-peer, participatory and gamified learning.

Specifically, "42" develops exclusive editions adapted to the training needs and labor context of specific groups, such as women or people over 45 years of age, thus promoting their employability.

Another area of training focuses on **technicians and volunteers working with the most vulnerable** people in our society. **The *Transforma* Plan seeks to improve the digital skills of third sector professionals in Spain**. It aims to empower those organisations that work with people who may be left behind by the digital divide or who could improve their lives through technology.

In addition, Fundación Telefónica's Social Action and Volunteering area has published a *White Paper on the Digital Transformation of the Third Sector in Spain,* as well as a version for Latin America. The publication of this book has helped to promote the dissemination and knowledge of the sector and digital trends among social organizations and the general public.

Through the Include Programme, developed alongside the GoodJob Foundation, we trained in cybersecurity, the cloud, automation and robotisation 124 people with disabilities that afterwards joined our teams.

Digital skills training targets

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.

With that objective in mind, each one of our initiatives defines specific plans and targets for each year, often together with our partners.

Progress on digital skills development

Over the course of 2023, 1,251,354 people received digital skills training, 4% less than the previous year. The decrease is linked to a significantly lower number of teacher training sessions being conducted due to a noticeable fall in demand from some of our partners, which had an indirect impact on the number of students who accessed training.

The ProFuturo program, which trains teachers and children from vulnerable environments, received **€32.8 million** in funding in 2023, taking into account contributions from the founders, other private contributions and reserves. The program comprises 44 professionals, **70%** of whom **are women.**

Over the course of 2023, ProFuturo directly benefited over one million children worldwide and trained some 335,000 teachers.

Since its inception, more than 7,000 teachers from all over the world have used the Digital Competencies Self-Assessment Tool provided by ProFuturo.

ProFuturo works alongside global public and private partners such as OAS, OEI, UNESCO-OREALC, UNHCR, World Vision, Save the Children, International Rescue Committee and Teach for All.

In 2023 the program **was honoured with a GLOMO award by the GSMA in the "Best Digital Contribution to the Sustainable Development Goals" category.**

Conecta Empleo launched new nanodegrees in Gastronomy, Hospitality and Tourism, which are aimed at training and improving the skills of people in these sectors. In addition, it kicked off a joint pilot program with Telefónica Tech to certify courses through blockchain. The network of public and private partnerships that facilitates the scalability of the program was enhanced. On the FUNDAE-SEPE Training Platform, we are the organisation with the highest number of people accessing training courses, ahead of Amazon, Google and Microsoft.

By 2023, 93 **Lanzaderas Conecta Empleo** projects from the Conecta Empleo program had tailored career guidance to the digital era and the continuous market changes.

As part of the process of leaving no-one behind in digitalisation, **Fundación Telefónica launched the "Reconectados"** project, which is aimed at digital inclusion, especially among older people. The goal is to train specialised technicians and older people in the use of new technologies. Young university students were recruited as volunteers to promote intergenerational bonding. The project was very well received, reaching 32,000 beneficiaries in Spain.

Through **42**, we continued to implement a number of initiatives aimed at attracting female talent, managing to double the number of women on campus (from 13% in 2019 to 25.4% in 2023). In addition, AI training experiences were created for students and teachers of vocational courses and the baccalaureate stage. Besides, we held the second edition of the Cybersecurity bootcamp and launched the Quantum Computing bootcamp with IBM. We also entered into a partnership with NASA to host the world's largest hackathon on the 42 program campuses.

Our employability programs have been publicly recognised for their impact. For example, in 2023, 42 received the **SERES Award** (Fundación Sociedad y Empresa Responsable), the **Innosocial Malaga Award** and the **ARGIBI Award** in the Innovation category.

In 2023, **the Transforma Plan benefited over 370 social entities and trained more than 3,000 technicians and volunteers.**

The **Digital Leaders** project continued to raise awareness about the safe use of technology in cooperation with the regional Departments of Education in Madrid, Valencia and Castilla y León. The project reached 5,000 people in Spain.

Fundación Telefónica retained its focus on the digital transformation of the third sector by training more than 2,700 technicians from over 350 social entities. The Social Innovation Hackathon was launched as part of this project. The White Paper on the Digital Transformation of the Third Sector was also published in Latin America.

2.12.4.3. Innovation and relevant services

Having access to networks or ensuring that people have the necessary skills and knowledge is fundamental but not enough to enable them to use and implement their new digital skills. We also **need solutions, services and content that bring added value to their daily lives.**

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

Therefore, we both innovate in new ranges of products and services and promote technology as a key tool in the development of a more inclusive society.

With regards to artificial intelligence, we firmly believe in its potential to positively impact humanity. For that reason, we encourage innovation and its adoption. Currently, it is a key tool to improve the personalization of the service offered to our clients and its quality. Despite its advantages, we promote its use being aware of the challenges: mitigating risks, fostering citizens' trust and guaranteeing their health, safety and rights.

In this sense, Telefónica is one of the first companies to publish its AI Principles and, since 2023, we have had a Regulation for Telefónica's Artificial Intelligence Governance Model.

Sustainable innovation: new services with a social impact

We work to develop new products and services that help us close the digital divide. We also promote and encourage the positive impact of our products and services on people and society.

Our services encompass a range of different types of business solutions that drive digital inclusion, as well as technological development in rural regions.

Given the strategic 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 2.11. Sustainable offering and innovation

2.12.4.4. Secure and responsible use of technology

Generating trust is key to closing the digital divide: 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 privacy and security for people accessing digital services

Privacy and security are two strategic factors at our Company. Thus, specific policies and commitments have been put in place.

We encourage everyone in society to use technology responsibly and do so through digital skills training and awareness initiatives. We are also aware of the need to have access to 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 of the products or services they use.

+ For further information, see 2.18. Privacy and security

Telefónica is particularly concerned about the privacy and security of children and adolescents. This is why we include a section on the responsible use of technology and child protection in the **Company's Global Transparency Centre**, as well as in all our local transparency centres. Telefónica is also stepping up its commitment to the privacy and security of children's data by carrying out training and awareness-raising campaigns.

Responsible use of technology

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

Safe products and services

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

Parental tools and security solutions
- Parental controls: *Qustodio* (Chile), *Control Parental Movistar TV* (Colombia and Peru), *Control Parental Movistar Internet* (Colombia) and *Ambiente Kids en Movistar TV* with specific content for children (Ecuador).

- Security solutions with a 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 and Conexión Privada Móvil (Argentina), McAfee Seguridad Digital and Safe Connect (Brazil), McAfee Mobile Security Plus and Virgin Media Internet Security (UK) and Protección McAfee (Mexico).

Television
The way we consume television has changed. However, children and teenagers are making **increasingly intensive use of audiovisual content.** Screens also constitute a fundamental part of their personal, social and civic development, which is why, in our **audiovisual environment**, 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 the effective technical means to exercise 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.

It is for these reasons that we have included the following initiatives in our operations:

- **Labelling and cataloguing** of content by age and type.

- **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.

- **Awareness-raising activities** related to 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 profiles on devices** so that the youngest members of the household can browse content for "up to 12s" in a safe environment (available on tablets and smartphones running Android 8 or above and iOS 12 or above).

Handsets and operating systems

From handset design to operating systems, we work with our suppliers to assess the implementation of basic child protection parameters (especially in the area of security). We ask device manufacturers and operating system providers to include the following:

- **Child and teenage protection mechanisms:** parental control, age restrictions, approval systems for the installation of applications, purchase protection systems, application and device use limits, etc.

- **Self-monitoring mechanisms**, known as "digital well-being", that enable better use of devices and offer options to the user for 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 the user reduce distractions from improper mobile use while driving (voice operation, muting of notifications, etc.) and protect eye health (automatic colour adjustment according to environmental conditions and warning mechanisms if the user's viewing distance is too close to the screen).

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 everyone – children, young people and adults – remains aware that, although the Internet is an open window to the world, it is down to us and our online behaviour to ensure that the experience is healthy, safe and enriching.

In this regard, we can highlight our collaboration with:

- State law enforcement agencies and national hotlines: *Alianza por la Seguridad en Internet Anatel, Safernet, Te Protejo,* UK Safer Internet Centre, Centre for Child Protection on the Internet, *Alerta Amber, Secretaría Nacional de Niñez, Adolescencia y Familia* (SENAF), INADII, MINTIC, etc.

- NGOs and national associations: UNICEF, Faro Digital, *RedPapaz*, Moders, *Sin Trata A.C., El Abrojo, Gurises Unidos, Rescatando Sonrisas, Fundación Sophia, INAU, Inisa, Inefop, Ministerio de Educación y Cultura, Ministerio de Desarrollo and Fundación Humaniza Josefina, Fundación Asperger de Venezuela* (Fundasperven) and *Comunidades WEPs Venezuela* (UN Women), UN Women Brazil, *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*, United States Department of Justice, International Centre for Missing & Exploited Children (ICMEC) and United Nations Office on Drugs and Crime (UNODC), *Fiscalía Especial para los Delitos de Violencia contra las Mujeres y Trata de Personas* (FEVIMTRA), *Secretaría Ejecutiva del Sistema Nacional de Protección de Niñas, Niños y Adolescentes* (SIPINNA) and *Aprende Mx, Comisión de Tecnologías de la Información y Contenidos Audiovisuales dirigidos a Niñas, Niños y Adolescentes* (CTICNNA), *Festival de la Ciberseguridad para América Latina, Secretaría de Desarrollo Económico* (SEDECO), *Asociación Mexicana de Mujeres Jefas de Empresas* (AMMJE), *Procuraduría Federal del Consumidor* (PROFECO), *Foro Colombiano de Gobernanza de Internet, IdeaTIC, Fundación Freedom, Fundación Pas, Fundación Padres, Pacto Nacional Pela Inclusão Produtiva da Juventude*, etc.

- Actions with key stakeholders aimed at ensuring the online protection of children and adolescents: Internet Matters, Inhope, Insafe, ANATEL, *Fundación Habla, Circuito Radial "FM Center", Viguías Centro de Internet Seguir (Te Protejo, Te Guío, Centro de Conocimiento y Tú Lideras*), *Construyendo Futuros, Te Contamos, S*afe Internet Centres, Governments, Cornelsen, Initiative D21, Klicksafe, Cybermobbing-Hilfe, FSM Voluntary Self-Regulation of Multimedia Service Providers, etc.

We are also part of the GSMA Mobile Alliance to combat Digital Child Sexual Exploitation, which we joined with the aims of promoting the **exchange of good practices and driving specific actions** around the good use of the Internet and technology globally. Likewise, as part of our efforts in the proactive fight against audiovisual material showing the sexual abuse of minors on the Internet, Telefónica **blocks content** 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 and Peru performs the blockade at the request of the authority. This procedure always complies with **network neutrality**, the right to freedom of expression and, above all, current regulations at all times. Additionally, the blocking of content is always coordinated with the corresponding police forces and other public bodies.

Telefónica
Index
1 2 3 4 5 6
Consolidated management report 2023
Non-Financial Information Statement • Helping society thrive

- We continue to promote the acquisition of digital skills and encourage the healthy and safe use of technology both globally and locally through our participation in: *DigitalES* (Spain), *Generación Única UNICEF* (Argentina), *Ministerio de Educación y Cultura, Instituto Nacional de la Juventud and Ministerio de Desarrollo Social* (Uruguay), *Cabase (Argentina), C*entro de innovación para la educación brasileña (CIEB), Movimiento por la valoración de los maestros (Profissão Docente), Movimento pela Base y Open Gateway (Brasil).

Education and awareness-raising initiatives

Every technological breakthrough entails a new educational challenge that we all – adults, young people and children – should know how to harness to best effect.

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

- The **Dialogando** portal, which is up and running in 10 of the countries in which our Company operates, helps society reflect on how we use technology in our day-to-day lives. Its articles and resources are prepared by a committee of experts on digital education and other issues,

- Similarly, our **Think Big and Movistar blogs** are other platforms in which we discuss the topics related to the responsible use of technology that are most popular among our stakeholders.

We regularly share expert insights into the responsible use of technology with our Movistar Spain customers via our newsletter.

Targets for the responsible use of technology
We endeavour to make the Internet a safer place by promoting awareness-raising and training initiatives through which children and adults can learn how to harness the potential of digital tools.

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

Progress on the responsible use of technology
In 2023 we carried out a number of awareness-raising initiatives on the following topics: online harassment (grooming, sexting, cyberbullying, etc.), the digital divide, online tolerance, digital well-being and health, online fraud, data privacy, digital identity, sharenting, fake news, eSports and gaming, digital leisure, etc. These initiatives reached 28,820,584 people and were supported by Club de Malasmadres, FAD, Mom&Geek, Movistar Riders, Faro Digital, RedPapaz, Sin Trata A.C., Internet Matters, Fundación Habla and Circuito radial "FM Center", among others.

In addition, in 2023 we enhanced the information on the responsible use of technology that we provide at all our touchpoints with customers and society in general: our blog, newsletter, social media and physical magazines at points of sale.

Initiatives on children and responsible use of technology

Country	Topics	Campaign	Impact
Germany	Digital security	Kindersicher mit O$_2$	More than 13.000 views on YouTube
Argentina	*Sharenting*	Sharenting	More than 32.000 views on YouTube
Brazil	Digital security	Guruzinhos	More than five million views on YouTube
Spain	Digital disconnection	Malamadre En Modo Avión	More than 2.900 views on YouTube
Peru	Cyberbullying	Alto al Ciberacoso	More than 45.000 users trained

Initiatives such as #MalamadreEnModoAvión, which promotes digital disconnection among families, highlight the need to continue educating people about the healthy and responsible use of technology.

Milestones

❶ We achieved 82%-99% mobile broadband coverage in rural areas in our main markets.

❷ We strengthened our commitment to accessible products and services. Movistar Plus+ has over 1,200 content items with triple accessibility (sign language, subtitles for the deaf and hard of hearing and audio description).

❸ We reached 28,820,584 people with awareness-raising initiatives that encourage the responsible use of technology through new digital and physical media.

2.13. Contribution and impact on communities

Key points

>€100bn

in impact on the communities in which we operate, according to our latest socioeconomic contribution study.

>1.3M

direct, indirect and induced jobs created in our largest markets.

SDG 8 & 9

are the two United Nations Sustainable Development Goals to which Telefónica's activity contributes most.

2.13.1. Vision

In 2015, the Sustainable Development Goals (SDGs) introduced a disruptive change compared to their predecessors; for the first time they recognised **innovation and technology** (through SDG 9) as being essential to achieving sustainability in our society.

At a regulatory level, the European **Green Deal** sets out a roadmap for making Europe the first climate-neutral continent by 2050. The Deal is designed to stimulate the economy to promote solutions that improve quality of life and provide greater protection for the environment.

The European Union (EU) has also developed a program called **Digital Compass**, the goal of which is to ensure that all households have access to a high-capacity network by 2030.

Through these initiatives, the EU is seeking to prepare businesses and people for a sustainable, more prosperous and human-centred digital future. This is a **digital transformation** aimed at **increasing innovation and productivity in the economy** and offering new opportunities for all.

Both the digital and the green revolutions foster competitive, sustainable and fair economic growth.

Our sector has a crucial role in the delivery of the 2030 Agenda and digital transformation processes. Communication networks have been recognised to be key to achieving sustainable development.

Telecommunications have a key role to play socially, as they facilitate and transform the way in which we interact with each other. Economically speaking, telecommunications help drive the development of new working models, improve employability and production sites, and increase efficiency and better use of natural resources.

The telecommunications sector has a crucial role to play in achieving the goals of the 2030 Agenda.

2.13.2. Context

The practice of measuring the environmental, social and economic impact of a company's activities has taken on paramount importance in the past decade.

What is more, regulatory pressure is growing. Two EU regulations, the Taxonomy Regulation for the classification of sustainable activities and the Sustainable Finance Disclosure Regulation (SFDR), underscore how important it is for companies to demonstrate what they're doing in the fight against climate change and social inequalities.

In addition to the modification of the MiFID II regulation (Markets in Financial Instruments Directive and amending Directive), the following are considered in assessments of an organisation's social and environmental contributions:

- 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).

In line with these criteria, at Telefónica we provide all the relevant information about our targets and the roadmap of how we plan to achieve them. Measuring and reporting our impacts allows us to break down each contribution and identify where we can further our positive impacts, mitigate negative impacts and identify new funding opportunities that will contribute to the decarbonisation of the economy or boost digital inclusion and transformation.

In this context, our alignment with the SDGs and European frameworks demonstrates how we integrate sustainability into the organisation and, beyond this alignment, how we measure the value of our impacts and quantify them.

2.13.3. Impact assessment: frameworks and methodologies
GRI 2-12, 3-3

The Company promotes access to information and knowledge, mainly through the deployment of broadband and continuous innovation of the technologies and infrastructures we make available to society.

Thanks to the service we offer our customers and the importance of connectivity in today's global society, our Company has positioned itself as a driving force for economic growth in the regions in which we operate.

Measuring and quantifying impacts has become a key tool for improving management, promoting sustainability, strengthening the relationship with all stakeholders and developing competitive edges.

Since 2019 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 therefore been working to optimise **our assessment model** by incorporating new methodologies and adapting them to our sector's specific characteristics and needs. To measure and monetise our impacts, we have followed the guidelines provided by organisations such as:

- Harvard Business School (HBS)

- The Value Balancing Alliance (VBA)

- The World Business Council for Sustainable Development (WBCSD)

- The Capitals Coalition

The Capitals Coalition, in collaboration with the VBA and the WBCSD, has published a report called General Guidance on Applying the Natural Capital Management Accounting Methodology, which outlines the impact measurement process.

According to this publication, the steps to be taken are as follows:

- Collect data to measure impact drivers.

- Use the appropriate methodology to define impact pathways.

- Collect value factors.

- Multiply the data by the value factors.

The results of our impact measurement allow us to incorporate sustainability criteria into our decision-making processes. The findings also allow our stakeholders to better understand the magnitude of the impacts we generate and our contribution to the sustainability and development of the communities in which we are present.

The findings of our Socioeconomic Contribution Report allow our stakeholders to gain insights into the magnitude of our impacts.

2.13.3.1. Sustainable Development Goals (SDGs)

Ever since the Sustainable Development Goals were published we have been performing regular analyses to determine which goals and targets we make the most decisive contribution to. Our analyses consider our technical and commercial capabilities and the connections between the different SDGs. In our latest socioeconomic contribution report, which is available on the Company website, we focus on:

• Economic contribution

The socioeconomic impact generated by the Company's business activity in the main countries in which we operate and the taxes we pay that enable public administrations to provide services for society.

• Social contribution - Digital inclusion

The social benefits arising from both the service we offer to our customers (connectivity and digital solutions) and the digital skills training initiatives that promote responsible use of new technologies and make them as useful as possible for society. This category also includes the social return on investment from research and development (R&D) and our Wayra and Venture Capital open innovation programs, which are aimed at supporting a startup and entrepreneurship ecosystem.

• Social contribution - Human capital

Impacts that affect the economic and social well-being of our employees, and the promotion of diversity and equality in all areas of the organisation.

• Environmental contribution

Of the impact, in monetary terms, on the environment, caused directly or indirectly by the activity carried out by our Company.
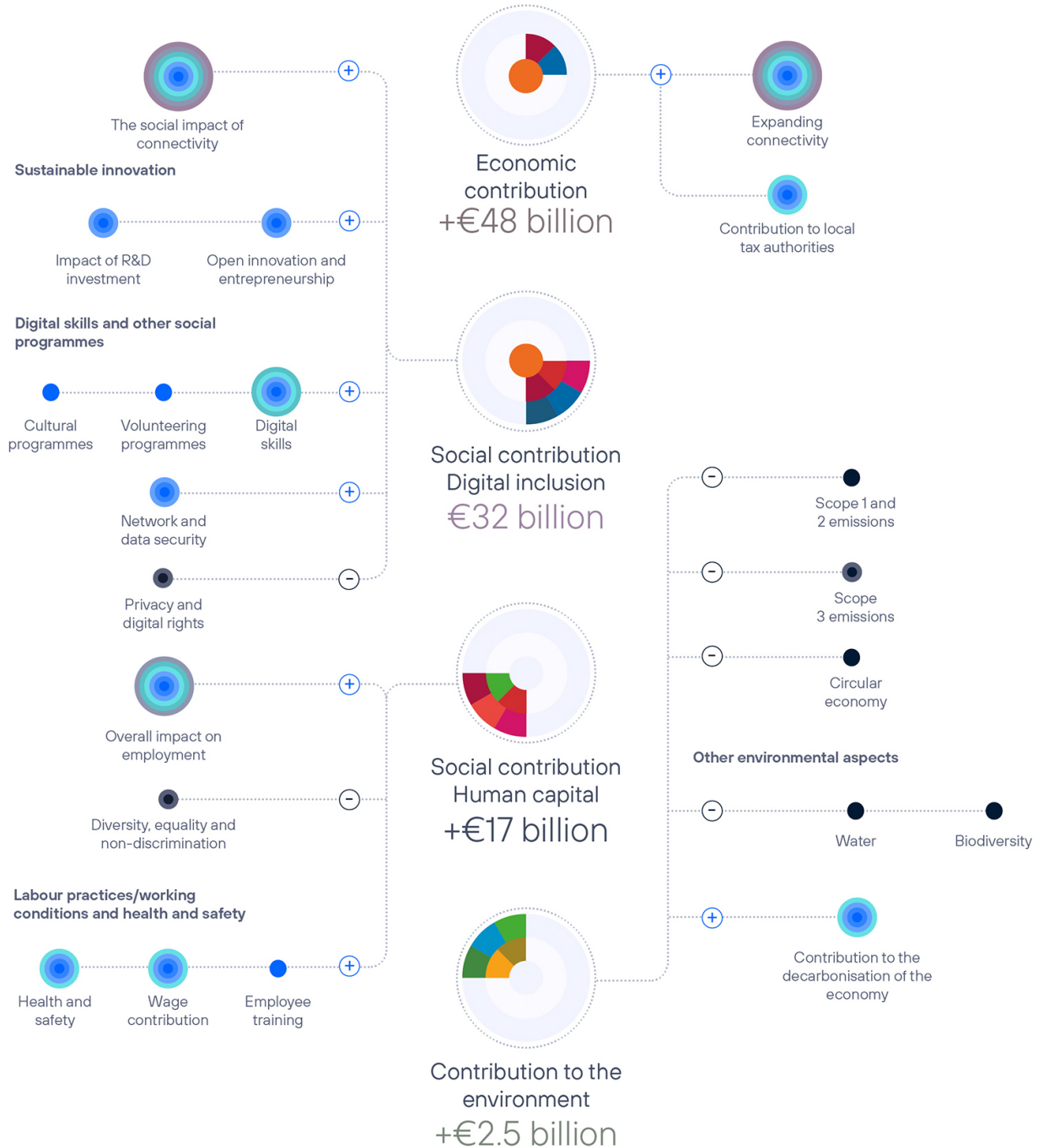
In this way it is possible to assess the contribution of digital services to the decarbonisation of the economy and the protection of biodiversity in the regions in which we operate. It also values Telefónica's commitment to promoting a circular economy and responsible management of electronic equipment and devices, an aspect that we hope will become more important in the future.

At Telefónica we promote sustainable development, mainly through our contribution to SDG 9 'Industry, innovation and infrastructure' and SDG 8 'Decent work and economic growth'.
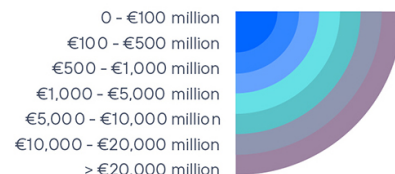
The following graph shows the distribution of the impacts analysed, their relative quantification, their relationship with the strategic pillars and the SDGs associated with these indicators.

Total Telefónica Group contribution

Total contribution
+€100 billion

The social impact of connectivity ⊕

Sustainable innovation

Impact of R&D investment   Open innovation and entrepreneurship ⊕

Economic contribution
+€48 billion

Expanding connectivity ⊕

Contribution to local tax authorities

Digital skills and other social programmes

Cultural programmes   Volunteering programmes   Digital skills ⊕

Network and data security ⊕

Privacy and digital rights ⊖

Social contribution
Digital inclusion
€32 billion

Scope 1 and 2 emissions ⊖

Scope 3 emissions ⊖

Circular economy ⊖

Overall impact on employment ⊕

Diversity, equality and non-discrimination ⊖

Social contribution
Human capital
+€17 billion

Other environmental aspects

Water ⊖   Biodiversity

Labour practices/working conditions and health and safety

Health and safety   Wage contribution   Employee training ⊕

Contribution to the environment
+€2.5 billion

Contribution to the decarbonisation of the economy ⊕

⊕ Positive impacts

⊖ Negative impacts

0 - €100 million
€100 - €500 million
€500 - €1,000 million
€1,000 - €5,000 million
€5,000 - €10,000 million
€10,000 - €20,000 million
> €20,000 million

Note: this data corresponds to the impact analysis based on calculation indicators for the financial year 2022.

2.13.4. Progress: contribution to socioeconomic development and the environment
GRI 3-3

We publish an annual Socioeconomic Contribution Report in which we analyse the impacts generated by our activity on society and the environment. In this Report we seek to quantify our contribution to digital inclusion, environmental protection, the promotion of innovation and entrepreneurship and the safeguarding of our customers' information and digital rights, among other important areas.

Our latest Report shows that our socio-economic contribution in 2022 exceeded €100 billion. This contribution can be broken down into the following factors:

- **Economic contribution:** the socioeconomic impact we generate thanks to our activity in the main countries in which we operate. This value was over €48 billion.

- **Social contribution - social inclusion:** the extent to which our innovation, communication networks and social actions foster digital inclusion. Our social inclusion contribution was over €32 billion.

- **Social contribution - human capital:** the extent to which we provide quality job creation and employee training. Our estimated impact was €17 billion.

- **Contribution to the environment:** the extent to which our digital services help decarbonise the economy. In this instance our estimated contribution was over €2.5 billion.

Impacts aligned with the Sustainable Development Goals
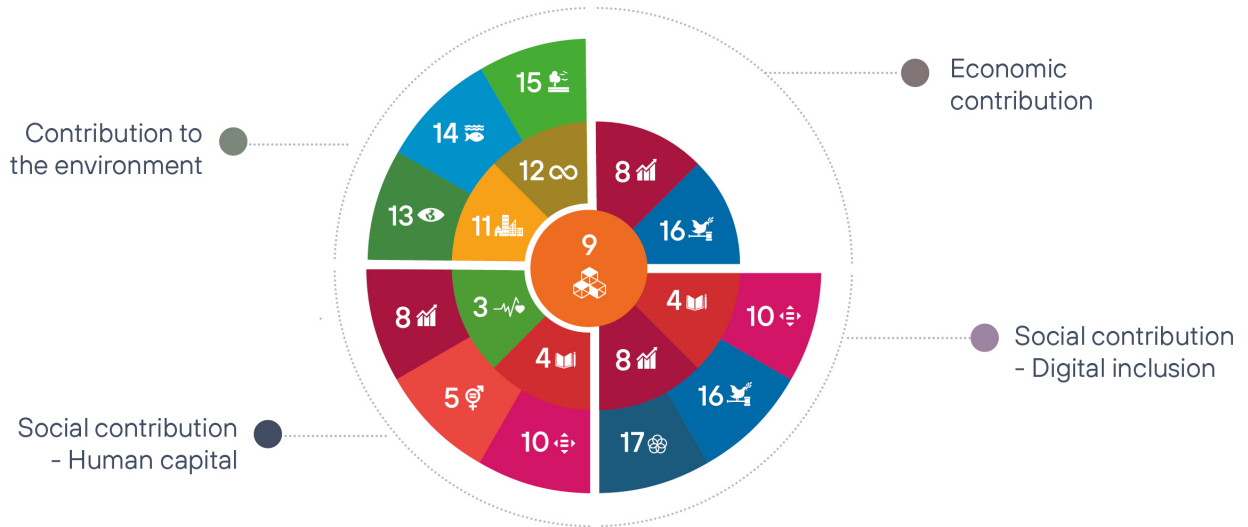
2.13.4.1. Economic contribution

To analyse our economic contribution, we take into account the value generated directly or indirectly by our activities and investments in the main countries in which we operate.

In addition, we measure the external aspects produced through taxes incurred and those that contribute to the creation of services to society by public administrations.

Economic contribution via connectivity and digitalisation

Through our investments in communications infrastructure and digitalisation, we generate value and economic growth, and thereby mainly contribute to SDGs 8 and 9.

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

SDG 9 – We deploy connectivity that increases productivity and efficiency

Contribution to SDG 9

Goal

9.1

We drive the digitalisation of the economy by investing in very high-capacity networks that have proven to be key to boosting competitiveness.

9.4

We modernise infrastructure and industries to make them as sustainable as possible. We support the adoption of clean technology, for example by replacing old copper telecommunications networks with new fibre technologies.

9.c

We increase service coverage and access to information technology, and work to provide universal access to the Internet.

In addition, we must bear in mind that telecommunications companies play a central role in many key sectors of the economy, including health, education, transport, business logistics, manufacturing, agriculture, energy and the media. All of this contributes to inclusive and sustainable economic growth.

SDG 8 – We drive digitalisation for a more sustainable society and economy

Contribution to SDG 8

Goal

8.1

We promote and contribute to the economic growth of the countries in which we operate through our business activities.

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 provided services in 2023. This contribution includes the direct impact of our economic activity, expenditure and investments (indirect impact), and the impact caused by the increase in consumption resulting from the rise in labour income generated by the jobs created.

For every euro of gross operating margin we obtained in 2023, we generated 4.3 euros of contributions to the GDP of the main countries in which we operate.

Impact on GDP (main operations)

	Millions of euros	% of total impact
Total impact	49,145	100%
Direct impact	18,676	38%
Indirect impact	23,211	47%
Induced impact	7,258	15%

Definitions

Total impact: total impacts generated by corporate activity and the expenses we incur and investments we make in the countries in which we operate.
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 UK.

For every euro generated in direct impact, we generated an additional 1.6 euros indirectly through expenditure and investment.

Impact on GDP

Countries	Millions of euros	% of local GDP
Germany	7,443	0.2%
Argentina	2,650	0.7%
Brazil	15,380	0.9%
Chile	3,035	0.8%
Colombia	1,730	0.8%
Spain	16,153	1.3%
Mexico	893	0.1%
Peru	1,861	1.1%

Contribution to local tax authorities

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

Taxes help to support public spending on the provision of essential infrastructure for citizens.

+ For further information, see 2.17. Fiscal transparency

In addition to calculating the contribution generated by our activity and the amount of taxes paid to public administrations, we have analysed the direct economic value generated and distributed.

Direct economic value generated and distributed
GRI 201-1

We have calculated the direct economic value generated and distributed (EVG&D) over 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.

	2022	2023
Direct economic value generated (revenues) €M:	42,058	40,652
Economic value distributed:	34,348	37,170
Operational costs (€M)	23,682	23,521
Salaries and employee benefits (€M)	5,524	7,188
Payments to capital providers (€M)	2,633	3,950
Payments to governments (€M)	2,438	2,464
Investments in the community (€M)	71	47
Economic value retained (direct economic value generated - economic value distributed) €M	7,710	3,482

2.13.4.2 Social contribution - Digital inclusion
GRI 203-1, 203-2

Within this factor, the biggest contribution comes from the value generated by the fixed and mobile broadband services we offer to our customers in rural areas and cities.

We also create value by investing in R&D, promoting entrepreneurship, fostering network cybersecurity and protecting the privacy of our customers' information.

In addition, the training and cultural programs and volunteering activities promoted by our Foundation support the most vulnerable groups.

The social contribution of connectivity

The deployment of connectivity across the world fosters economic and social growth, triggering positive changes in the business fabric and the economy.

Our commitment to rolling out coverage to provide service to everyone, regardless of location, is demonstrated by our focus on eliminating the digital divide.

➕ For further information, see chapter 2.12. Digital inclusion

We bring the best digital connectivity and services to all communities and rural areas, to ensure that everyone enjoys an equal share of the benefits of the digital age.

Sustainable innovation as a lever for socioeconomic development

For Telefónica, being a pioneer in the telecommunications sector means having the ability to anticipate market needs by offering an innovative and sustainable product.

Innovation allows us to improve the quality of the service we offer to communities that are ever more aware of the need to incorporate sustainability into production processes. In addition, R&D investments are critical to our Company's long-term growth, as they boost our productivity and competitiveness in the market.

We also support the entrepreneurial ecosystem by investing in startups and promoting entrepreneurship. Through programs such as Wayra and our venture capital investment vehicle, we not only fund startups seeking to grow innovative businesses, but we also provide specialised training to entrepreneurs.

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.

SDG 8 - We drive digitalisation for a more sustainable society and economy

Contribution to SDG 8

Goal
8.3
We support key sectors and develop policies for productive activities and innovation in order to boost economic growth: • We encourage investment in local companies through programs such as Wayra.   • We collaborate with domestic and international organisations that promote economic development and digitalisation.

SDG 9 - We deploy inclusive connectivity to leave no one behind and foster entrepreneurship and innovation ecosystems

Contribution to SDG 9

Goal
9.5
We foster innovation and technological entrepreneurship through our open innovation programs.
9.c
We bring our connectivity to remote areas, connecting millions of people who have no or very limited access to the Internet.

Digital skills and social programs

Digital education is transforming the way we understand learning, enabling people to continue to participate in social and working life and to create more inclusive and efficient education systems.

Through Fundación Telefónica and initiatives such as Conecta Empleo, Piensaen Grande, Escuela 42 and ProFuturo, we seek to improve digital skill levels in society. We also offer job counselling tools and solutions to identify the most in-demand digital professions and facilitate access to the labour market.

Telefónica's Corporate Volunteering program offers, among other projects and collaborations, digital skills training workshops to improve employability, technology education activities for children and young people, digital literacy initiatives for older people and training on the responsible use of technology for teenagers and people with disabilities.

It aims to improve the economic and social well-being of local communities by promoting youth development, fostering a greater sense of community and increasing access to technology for disadvantaged people. By doing so, we make a positive contribution to SDGs 4 and 17.

For further information, see 2.12. Digital inclusion

We promote knowledge of new digital technologies to facilitate employability and inclusion.

4 QUALITY EDUCATION

SDG 4 - We address inequalities by investing in digital skills to empower people in the digital environment

Contribution to SDG 4

Goals

4.3

We ensure equal access for all men and women to quality technical, vocational and higher education, including university education.

4.4

We will significantly increase the number of young people and adults who have the necessary skills, in particular technical and vocational skills, to access employment, decent work and entrepreneurship.

4.4.1

We teach and empower people to be ready for the new digital environment:
• We enable access to training in the skills needed to access employment and entrepreneurship.
• We ensure that all our employees have access to personalised digital skills retraining programs.

4.c

Thanks to the digitalisation programs offered by our foundation, Fundación Telefónica, we are able to enhance the training of professionals and foster modernisation and digitalisation in education.

With regard to our contribution to culture, Fundación Telefónica organises conferences, research, exhibitions and workshops to disseminate and share cultural and technological knowledge.

The aim of this educational offering is to give society the means to access the most significant art and culture content of the digital revolution era.

17 PARTNERSHIPS FOR THE GOALS

SDG 17 - Develop strong global alliances for sustainable development

Contribution to SDG 17

Goal
17.8
We foster collaboration with other organisations to innovate and increase access to, and the use of, technology and digitalisation in all areas of society.

Security, privacy and digital rights

As businesses and their surroundings become increasingly digital, we seek to stay ahead of possible threats by investing in information security and engaging in ongoing collaborations with other players in the telecommunications industry. We also 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.

Telefónica also promotes the responsible management of digital content on the Internet, ensuring child protection, freedom of expression and the responsible use of new technologies.

We have a revamped **Global Transparency Centre** and Privacy and Security Centres for each of our operations. These centres keep our customers informed about the protection of their data and provide them with tools that enable them to take control of their information.

➕ For further information, see 2.18. Privacy and security

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SDG 16 - We build trust by raising awareness of the ethical and responsible use of technology

Contribution to SDG 16

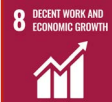| Goal |
|------|
| **16.5** |
| Our internal Responsible Business Programs seek to ensure that all levels of the organisation are held to the highest standards in order to instil trust. |
| **16.10** |
| We promote public access to information, protecting privacy, security and digital rights. We foster digital trust and the use of data. |
| **16.a** |
| We strengthen our institutions and cooperation at all levels via employee-led activities that create value and help the most vulnerable people. |
| **16.c** |
| We strive to strengthen institutions and cooperation with other public and private bodies. |

2.13.4.3. Social contribution. Human capital

For this factor, we analyse our commitment to promoting the physical, intellectual and economic well-being of our employees, as well as the impact our business has on job creation.

Contributing to job creation

The telecommunications sector is a catalyst for business development and economic activities that are crucial to creating jobs. They are a fundamental source of social cohesion and social justice, enabling the participation of citizens, the distribution of wealth and the guarantee of rights.

Through our activity, we create jobs both directly (employment in Group companies), indirectly (employment across our supply chain) and through induced jobs (employment in different sectors of society). 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 jobs.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 - We boost digitalisation to promote quality jobs

Contribution to SDG 8

Goal

8.5

We promote employment and quality work for all women and men, including young people and people with disabilities, and equal pay for work of equal value.

8.8

We guarantee and protect labour rights, providing a safe working environment for all workers

	Impact on employment in main countries (no. of people)	% of total impact
Total impact	1,312,829	100%
Direct impact	99,485	8%
Indirect impact	837,679	64%
Induced impact	375,665	29%

Definitions
Total impact: total impacts generated by corporate activity and the expenses we incur and investments we make in the countries in which we operate.
Direct impact: impact generated directly by our operations.
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 UK.

Our activities constitute a catalyst for job creation: for every person we hire, we additionally generate over 10 indirect or induced jobs.

Countries	Impact on employment (No. of people)	% of total local employment
Germany	47,871	0.1%
Argentina	37,055	0.2%
Brazil	758,885	0.8%
Chile	85,161	0.9%
Colombia	114,614	0.5%
Spain	161,498	0.8%
Mexico	22,344	0.1%
Peru	85,401	0.5%

Diversity, equality and non-discrimination

At Telefónica, managing diversity and inclusion helps us to attract and retain high-potential professionals and to respect principles of social justice. Our system includes internal bodies and figures that monitor progress in this regard and protect people from any kind of discrimination.

➕ For further information, see 2.7. Diversity and Inclusion

SDG 5 — GENDER EQUALITY

SDG 5 - We promote gender equality and reduce pay gaps

Contribution to SDG 5

Goal

5.2

We work towards the elimination of all forms of violence against women.

5.5

We are committed to fostering women's leadership, increasing the proportion of women in leadership positions and eliminating all forms of unequal pay.

5.b

We improve the use of instrumental technology, in particular information and communication technologies (ICT), to promote women's empowerment by fostering actions and programs that help reduce the digital gender gap and promote STEM careers among young women.

Labour practices/working conditions and health and safety

Training our employees and raising awareness among them are both essential to consolidating our culture. Our professionals have face-to-face and remote courses available to them on health, safety and well-being at work.

Furthermore, we develop annual strategic training programs on issues such as compliance, privacy, new technologies, digital security, ethics and artificial intelligence (AI), environmental management, accessibility and diversity, effective communication, leadership and time management. We also have Universitas, one of the best corporate universities in the world.

Users would have to spend the equivalent of 40 years of working days to complete all the training content currently available across Telefónica's training programs.

In addition, the remuneration of our professionals is linked to individual levels of responsibility, leadership and performance in the organisation. Our remuneration approach is demanding and competitive, aimed at attracting, retaining and motivating professionals. This allows us to achieve our strategic goals, fostering the well-being of our employees and the economic growth of the regions in which we operate.

Lastly, we are aware of the health and safety challenges that can arise, so we have built a strong people-oriented health and safety culture, which incorporates the work environment, mental well-being, healthy living, physical activity, nutrition and the personal environment.

We therefore assess, monitor and prevent risks that may arise in the course of our operations.

➕

2.13.4.4. Contribution to the environment

This factor takes into account our contribution to the environment in order to achieve more sustainable economic development. To this end, we assess the costs associated with the emissions and waste produced by our activities.

Similarly, we quantify the economic impacts resulting from our consumption of resources, such as water, and the impact we have on the biodiversity of our environment.

Climate change and energy management

At Telefónica we remain committed to the international targets set for the fight against climate change. We have set ourselves the target of reducing 90% of our global Scope 1 and 2 emissions by 2030 and achieving net zero emissions by 2040, including across our value chain.

To this end, we are increasing the Group's sustainable financing and decreasing our dependence on fossil fuels. In addition, we are incorporating environmental criteria into decision-making by implementing internal carbon pricing to help us select more efficient systems and technologies, thereby reducing emissions across the entire life cycle.

SDG 13 — CLIMATE ACTION

SDG 13 - We combat climate change and improve resource efficiency and utilisation

Contribution to SDG 13

Goal

13.2

We incorporate climate change measures into the Company's policies and strategies through emissions reduction programs.

In terms of our carbon footprint, the emissions from our value chain, namely suppliers and customers (Scope 3), are the largest.

For several years, we have had a partnership program aimed at reducing our suppliers' emissions, as part of which we analyse their climate maturity and help them reduce their carbon footprint.

In addition, we mitigate the impact our business has on the environment by decoupling the growth of traffic on our networks from the greenhouse gas emissions this produces.

7 AFFORDABLE AND CLEAN ENERGY

ODS 7 - We develop the most efficient telecommunications network powered by renewable energies

Contribución al ODS 7

Goal
7.2
We promote the use of renewable and clean energy in all our activities.
7.3
We encourage the development of projects that increase energy efficiency and provide the best technology in order to offer our customers pioneering, efficient and sustainable products and services.

Our goal is to align our efforts with decarbonisation, so that in accordance with the SBTi we limit global warming to below 1.5°C.

In Europe, Brazil, Peru and Chile, 100% of the electricity we consume at our own facilities comes from renewable sources (82% globally). 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.

➕ For further information, see 2.1. Responsibility to the environment

Circular economy

We work to extend the useful life of equipment and implement internal eco-efficiency measures, as well as promoting the environmental design of the products and services we offer to our customers.

To reduce our impact and encourage the reincorporation of materials into the production cycle, we support reuse and recycling.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12 - We promote a circular use of electronic equipment, through ecodesign, reuse and recycling

Contribution to SDG 12

Goal
12.2
We achieve the sustainable management and efficient use of natural resources.
12.5
We minimise waste generation through prevention, reduction, recycling and reuse activities, promoting programs that foster the circular economy and waste recycling.
12.6
We transform our internal processes to ensure that all our solutions are designed and developed according to ethical and sustainable criteria.

Contribution to the decarbonisation of the economy

At Telefónica we offer services that generate environmental benefits by reducing the consumption of energy and CO_2 emissions and boosting the circular economy.

In this regard, our portfolio of Eco Smart services, verified by AENOR (an independent certifier), identifies those solutions that contribute positively to environmental protection when used by our customers.

In 2023, thanks to the efficiencies generated by our connectivity and Eco Smart services, our customers avoided the emission of 86.1 million tonnes of CO_2.

11 SUSTAINABLE CITIES AND COMMUNITIES

SDG 11 - We develop solutions to optimise consumption, reduce emissions and improve mobility and safety for people and communities

Contribution to SDG 11

Goal

11.6

We promote the development of digital services and solutions that have a positive impact on the environment through our portfolio of Eco Smart services.

We develop new digital solutions to accelerate the decarbonisation and sustainable transformation of the economy.

➕ For further information, see 2.11. Sustainable offering and innovation

Other environmental aspects

Water
We put specific measures in place to reduce water consumption and improve water efficiency.

We take dedicated steps towards achieving efficient consumption, especially in water-stressed areas. These include the installation of water management systems and pressure monitors, preventive maintenance to avoid leaks, the dissemination of awareness campaigns among employees and the inclusion of clauses in building maintenance and cleaning contracts encouraging responsible and efficient water use by our suppliers.

Biodiversity
At Telefónica we strive to mitigate the consequences of our activities and the impact on wild species and/or their natural habitat, especially in protected areas.

➕ For further information, see 2.4. Biodiversity, water and other environmental aspects

Milestones

❶ We generated a positive impact on our environment amounting to over €100 billion.

❷ We published our Socioeconomic Contribution Report for the third consecutive year, incorporating further improvements and recommendations from international frameworks.

❸ We have optimised the models used to calculate and estimate the social impact of the organisation's strategic projects.

2.14. Human Rights

Key points

Governance

at the highest level at Telefónica with a view to respecting and promoting human rights.

100%

of our operations have conducted human rights risk assessments to identify, prevent, mitigate and remedy any potential adverse impacts.

Pioneers

in publishing a report on the Due Diligence process taking into account the new regulatory requirements.

2.14.1. Vision

Human rights are a key pillar for the functioning of business and society at large. Guaranteeing people's rights not only represents a set of ethical principles but is also a key component in ensuring the long-term sustainability and well-being of companies.

We are currently facing countless challenges related to human rights with global and increasingly profound effects on all of us. The climate crisis, digital divide, social inequality and the violation of people's rights are just a few examples. For this reason, by incorporating human rights into our corporate strategy, we are paving the way for managing the risks and harnessing the opportunities. As a multinational company, we contribute actively to resolving these worldwide challenges through a responsible business conduct, by developing sustainable solutions and by contributing to a fair transition.

In this regard, we are committed to the United Nations (UN) Declaration of Human Rights (1948), as well as subsequent standards such as the UN Guiding Principles on Business and Human Rights of 2011 and the OECD Guidelines for Multinational Enterprises.

Furthermore, we go beyond our internal ecosystem in this regard and aspire to work closely with our stakeholders to ensure respect for human rights throughout our entire value chain. To this end, we have implemented various initiatives and measures to guarantee the respect for human rights among our suppliers in the supply chain and that of our customers through the responsible development of products and services.

2.14.2. Targets

- 100% of our operations assessed on human rights twice a year.

- 100% of potential high-risk suppliers assessed on sustainability matters (including human rights) via an external platform by the end of 2026.

- 100% of new products and services developed at Group level assessed under the internal framework for Responsibility by Design by 2025.

- Maintain leading position in the Ranking Digital Rights and the Digital Inclusion Benchmark.

2.14.3. Governance
GRI 2-12, 2-13

We have established a sound governance model at the highest level, led by a Board of Directors that involves all relevant hierarchies and areas of the Company globally and locally to ensure that our commitment to human rights permeates our day-to-day business at all levels (more information in the box below: Human rights governance).

Governance model of the human rights and environment due diligence process

Bodies

Board of Directors

Functions
Approval of the Responsible Business Plan, which includes objectives/projects regarding human rights and related policies.

Sustainability and Regulation Committee

Functions
Supervision of the implementation of the Responsible Business Plan and the objectives/projects related to human rights.

Audit and Control Committee

Functions
Supervision of the human rights risk management model and the effectiveness of internal control, as well as the integrity of information related to the topic.

Global Sustainability (ESG) Office

Functions
Monitoring and coordination of the Responsible Business Plan.

Cross-cutting administration of the Management Areas

Functions
Management of the due diligence process in general and objectives/projects related to human rights in particular by the Managing Areas (Global Sustainability Management, Human Resources, Purchasing, General Secretariat, Compliance, and any other area that may be affected depending on the subject matter being addressed).

Local teams

Functions
Monitoring, setting objectives, continuous improvement at the local level.

2.14.4. Policies
GRI 2-23, 2-24

Our main internal human rights policies and standards are:

- Global Human Rights Policy.
- Supply Chain Sustainability Policy.
- Management of the Responsible Business Principles Channel Regulation.
- Internal Information System Management of Telefónica Group Policy.
- Global Privacy Policy.
- Global Security Policy.
- Occupational Health, Safety and Well-being Regulation.
- Diversity and Inclusion Policy.
- Responsible Communications Regulation.

- Global Environmental Policy.
- Anti-Corruption Policy.
- Global Regulation on Requests by Competent Authorities.
- Artificial Intelligence Principles.
- Artificial Intelligence Governance Model Regulation.
- Equality Policy.

2.14.5. Impacts, risks and opportunities

We are fully aware that the nature and geographical scope of our operations involve **potential impacts** on human rights in our value chain. Our suppliers, employees and customers are a major part of our Company's development, and our business activity may impact their human rights.

Privacy and data security, digital inclusion and decent working conditions are some examples of the rights in which we play an essential role. We must ensure these rights are respected, both internally (among our employees) and externally (among suppliers and customers).

We perform impact assessments – a key element of the Due Diligence process – to identify and evaluate potential and actual impacts and to conduct materiality analyses based on severity and likelihood.

For each of the material issues discussed in this Report, we have included the information about these impacts in the respective "Impacts, risks and opportunities" sections.

➕ For further information, see 1.4. Materiality

However, certain human rights **risks** may emerge in the normal course of our day-to-day business, and these must be managed. In most cases, risks are of a direct nature, but they may also arise indirectly, through our commercial relationships with our partners. Both types of risk must be managed to ensure the sustainability of our business. In our case, human rights risks are managed through the Enterprise Risk Management process, which includes the ad hoc risk analysis – the Basic Human Rights Risk – as part of the Company's risk map.

➕ For further information, see 3. Risks

Nonetheless, we cannot ignore the fact that connectivity is a crucial tool in facilitating and promoting people's rights and driving economic and social development. This fact enables the Company to leverage business **opportunities** that are based on connectivity and aimed at meeting people's needs.

2.14.6. Action plan and commitments
GRI 2-23, 2-24, 2-25, 3-3

Our commitment to respect and foster human rights is embodied in the policies and processes that make up our Due Diligence process and permeates Telefónica's entire value chain.

The **Due Diligence** process we have developed around sustainability allows us to identify, prevent, mitigate and/or remedy (potential and actual) human rights impacts linked to our operations. It also serves as a reliable tool with which to manage the impacts, risks and opportunities faced by the Company.

This process is based on the United Nations (UN) Guiding Principles on Business and Human Rights, which have inspired the requirements of the **European Union's Corporate Sustainability Due Diligence Directive,** currently in the process of being finalized, as well as other,

existing regulations such as the Due Diligence Supply Chain Act in Germany.

Our due diligence in human rights and the environment

1. Policy
2. Impact assessments
3. Integration into processes
4. Assessment and reporting
5. Complaint and remedy mechanisms

2.14.6.1. Phases of due diligence
GRI 3-3, 408-1, 409-1

1. Policy

The starting point of our due diligence is our **Global Human Rights Policy (phase 1);** the latter has been approved by the Board of Directors and applies to all the Group's companies. The aim of this policy is to ratify our responsibility to respect and promote human rights and establish general guiding principles that form the basis of our relationship with suppliers, employees, customers and society. Deriving from this are other internal policies and procedures that serve as instruments to ensure respect for these rights in more specific areas such as privacy, diversity and non-discrimination.

2. Impact assessments

From an internal management perspective, all starts with **impact assessments (phase 2)**, of which there are two types.

Firstly, there are the **global impact assessments**, which we conduct on a regular basis (every three or four years) with the participation of different areas of the Company whose responsibilities are related to human rights, independent external experts and external rightsholders/stakeholders. The purpose of this process is to understand both the real and/or potential ramifications of our products, services and business activities on human rights and, in this way, identify possible impacts we need to manage.

Secondly, we perform other, **specific 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, in order to have a more accurate picture of the national situation to allows us to address the impacts/risks in specific contexts.

- Thematic impact assessments when we need a detailed picture of a specific issue because when a particular impact/risk is identified.

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

Assessments in all our operations

Frequency: Twice a year

if a local risk or impact is identified

if an impact and/or risk is identified in an issue

Local assessment
(focusing on the domestic situation)

Specific assessment
(focusing on an issue)

The most recent Global Impact Assessment was carried out in 2022, which resulted in the identification of a total of 18 salient impact issues taking into account the entire value chain. The assessment was performed in accordance with the methodology established by the new regulation, and is based on its criteria of severity and probability. The issues identified are presented below, according to the operational area they affect and the groups potentially impacted by them.

Salient issues identified in the 2022 Global Impact Assessment: issues and groups impacted

Salient Issues

Value Chain[1]	Operations	Human resources[2]	Products and services	Ethics and governance
• Labour conditions • Health and safety • Diversity and non-discrimination • Privacy • Cybersecurity • Climate change • Conflict minerals	• Labour conditions • Health and safety • Privacy • Cybersecurity • Digital inclusion • Land rights • Climate change • Circular economy • Biodiversity • Water resources	• Labour conditions • Diversity and non-discrimination • Health and safety • Privacy • Cybersecurity	• Privacy • Cybersecurity • Responsible use of new technologies • Freedom of expression and information • Digital inclusion • Protection of minors • Climate change • Circular economy	• Fiscal responsibility • Competitive behaviour • Corruption and bribery

Impacted groups[3,4]

Value chain	Operations	Human resources	Products and services	Ethics and governance
• Workers in our supply chain • Migrant workers • Customers • Minors • Vulnerable groups • Investors and analysts	• Own employees • Workers in our supply chain • Local communities • Vulnerable groups • Investors and analysts	• Own employees • Minors • Vulnerable groups • Investors and analysts	• Customers • Minors • Vulnerable groups • Investors and analysts	• Society in general • Own employees

Taking as the point of reference the impacts identified in our global impact assessment, we have grouped them according to the priority areas for Telefónica. Each of these areas is worked on in detail and specific actions are being taken, which is explained in the section on Progress (see below). These areas are: **digital rights, responsible use of new technologies, digital inclusion, protection of children and social** and **environmental standards in the supply chain.**

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[1] Both upstream and downstream, with regard to suppliers and sub-suppliers (upstream) and with regard to customers or partners, e.g. during M&A (downstream).

[2] Working conditions include freedom of association/right to collective bargaining, etc./Diversity and non-discrimination include equal remuneration etc.

[3] Workers in our supply chain includes 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.

Impacts identified for Telefónica in the area of human rights

Conflict minerals	Labour conditions	Diversity and non-discrimination	Privacy	Digital inclusion	Protection of children
Health and safety	Freedom of expression and information	Responsible use of new technologies	Environment	Land rights	Corruption and bribery
Cybersecurity	Circular economy	Biodiversity	Water resources	Fiscal responsibility	Competitive behaviour

Priority areas for Telefónica regarding human rights

The 18 impacts we have described in the table above are encompassed within the following broad areas:

Digital rights
Responsible use of new technologies
Digital inclusion
Protection of children
Social and environmental standards in the supply chain

- **Digital rights (privacy, freedom of expression and information, and cybersecurity):** as an ICT company that handles the personal data of customers, we use and protect their information with maximum security, providing transparency and control over the use of the data and the purposes of use. 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.

- **Responsible use of new technologies (artificial intelligence and big data):** the relationship between people and machines is becoming ever closer and more binding. This is why it is essential to ensure and monitor the ethical development and use of new technologies to ensure that technological breakthroughs do not undermine people's rights but contribute to sustainable development.

- **Digital inclusion:** the core of our business is the provision of connectivity to people through the development and distribution of 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.

- **Protection of children:** the digital world offers many opportunities. Children need digital skills and specific tools to enable them to access and benefit from these opportunities. In doing so, we must protect their online privacy and reputation on the Web, as well as address any potential impacts such as inappropriate content.

- **Social and environmental standards in the supply chain:** it is essential that we pay particular attention to supply chain management, given our commitment, its scope and relevance. The goal is to join forces to ensure that our suppliers have a proper human rights and environmental performance.

3. Integration in processes

Based on the results obtained from the various impact assessments, we adapt our internal policies and processes **(phase 3)** to prevent, mitigate and/or remedy potential human rights impacts.

Two processes should be highlighted: Responsibility by 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 the mandatory human rights training for all employees and strategic areas of the Company.

4. Assessment and reporting

We carry out monitoring and reporting activities **(phase 4)** on an ongoing basis. To this end, we monitor and assess possible risks related to human rights on a regular basis. We also assess the degree to which the improvements arising out of the impact assessment work plans have been implemented. Furthermore, we generate public reports about our due diligence process and our general management of human rights.

5. Complaint and remedy mechanisms

One of our complaint and remedy mechanisms (phase 5), the Whistleblowing and Queries Channel, enables anyone, whether an individual or an entity, to express their concern or complaints about human rights, among other issues. In addition to resolving their query, we take appropriate steps to reduce risks through our policies and processes, etc.

The channel is publicly available 24/7 in several languages. Users are able to present a query on an anonymous basis if they so wish.

2.14.7.Progress in 2023

2.14.7.1. Due diligence

We continued to work in 2023 on each of the five steps of our due diligence process. In general terms, the essential progress in two areas should be highlighted:

- The **continuation of the due diligence process based on the results of the Global Impact Assessment** performed during the previous year (2022). This involved a series of activities such as the prioritisation and action plan for implementing the recommendations contained in the assessment.

- The creation and publication of a **report on the Due Diligence process as regards human rights and the environment.** The report publicly states how we manage human rights issues and includes the main conclusions drawn from the most recent Global Impact Assessment and some examples of best practices.

The table below reflects our progress in recent years for each of the five phases of our Due Diligence and shows that it is a continuous and cross-cutting process for the entire Company.

Due diligence step	Activities

1.Policy	**What is it?**
	Telefónica's public commitment to human rights
	
	What have we done?
	• Publishing of the Human Rights Policy approved by the Board of Directors.
	• The policy:
	  ◦ Defines our Due Diligence process.
	  ◦ Defines a governance model with clear responsibilities.
	  ◦ Conforms to international human rights norms and standards.
	  ◦ Covers the entire value chain.
	  ◦ Is publicly available in several languages.
	  ◦ Is communicated internally and externally.
	  ◦ Implementation of the policy regularly assessed.
	• We are working on compiling recommendations and improvements for the next update, in light of the Corporate Sustainability Due Diligence Directive (CSDDD).

2.Impact assessments	**What is it?** Procedure to identify impacts in the value chain. **What have we done?** • Performed regularly at a global level (in 2013, 2018 and 2022). Conducted with external human rights experts (e.g. with BSR in 2013, BHR in 2018 and Deloitte in 2022). • Involving participation by a number of stakeholders (NGOs, public institutions, commercial partners, sector associations, among others) at a global/local level through interviews. Additional assessments in all countries on a six-monthly basis (also in 2023) to assess risks/impacts in the local context.

3.Integration in processes	**What is it?**
	Field work to adapt internal policies and processes to manage impacts.
	
	What have we done?
	• Impact assessments are submitted to the Sustainability and Regulation Committee of the Board of Directors
	• Integration of results of impact assessments into internal policies and processes.
	• Some examples of the integration of results from assessments into processes:
	  ◦ 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, mergers and acquisitions.
	  ◦ On-site human rights audits of suppliers on issues such as health and safety, working conditions, and child/forced labour.
	  ◦ Specific attention process in the event of a human rights crisis (for example, regarding privacy/freedom of expression issues).
	  ◦ Implementation of "Human Rights by Design".
	  ◦ Adopting of new policies and updating of existing policies relating to human rights: for example, the Artificial Intelligence (AI) Governance Model Regulations in 2023

4.Assessment and reporting	**What is it?**
	Monitoring of the processes and of the measures put in place to manage the impacts, in order to assess the efficacy of said measures and the opportunities for improvement in the process and to communicate the progress of these measures.
	
	What have we done?
	• Responsible Business Plan: annual reporting to the Board of Directors about the implementation of the plan (which includes human rights).
	• Risk map: continuous monitoring of human rights risks in the Company's risk map. Basic human rights risk.
	• Impact assessments: regular assessment of our human rights performance through impact assessments at global/local level.
	• Regular and public reports.
	  ◦ Reporting on human rights performance in the Integrated Report.
	  ◦ Human rights and environmental due diligence report.
	  ◦ Transparency Report (privacy and freedom of expression matters).
	• Corporate website: updated information on human rights performance.
	• Participation in multi-stakeholder initiatives such as the UN Global Compact, the UN's B-Tech initiative, etc.

5.Complaint and remedy mechanisms	**What is it?** Public channel available to all stakeholders (suppliers, customers, employees, investors, etc.) through different means of access (corporate website, contact forms, etc.). In the languages of all the Company's operators. **What have we done?** • Our Whistleblowing and Queries Channel, allowing stakeholders to file complaints or queries confidentially and anonymously on any matter related to the Responsible Business Principles (also, explicitly, on human rights). • Channel regulations (publicly available), that guarantees a uniform procedure, stipulating that queries must be answered and, where possible, solutions/remedies offered within the shortest possible period. • The queries received through the channel serve to update policies and processes, etc., regarding human rights. • The channel is available to all, regardless of their relationship with Telefónica (customers, shareholders, employees, suppliers, etc.). It is available 24/7 and in the languages of the countries where we are present. • New features and improvements for users: a two-way communication channel between those making the queries and the people responsible for handling the query, through which they can also send documentation, if necessary. In addition, through the Communication Channel, the querying party can see the status of their query in real time and ascertain its outcome. • Approval of the Internal Reporting System Policy and adaptation of the whistleblowing channel in accordance with Spanish Law 2/2023.

2.14.7.2. Cross-cutting initiatives to manage the potential impacts identified through the Impact Assessment

In addition, based on the lessons learned year after year, we continued reinforcing three cross-cutting initiatives that help us make our commitments in terms of human rights a reality:

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 certain professionals whose work might have a greater impact on human rights.

Human rights by design

In 2023, the "human rights by design" approach continued to be implemented. For this purpose, the product managers conduct a self-assessment of new products and services using an online tool. This is done during the design phase to identify and address potential human rights impacts such as the right privacy, freedom of expression, non- discrimination, AI and the impact on vulnerable groups such as children. If risks are identified, the product or service is subjected to more detailed analysis with the help of the Company's human rights experts in order to avoid adverse effects.

Responsible network deployment

In 2023, we continued to implement our guidelines for responsible network deployment in all the 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 to respect the human rights of the stakeholders involved (employees, suppliers, local communities, etc.) in the following phases of network deployment: deployment justification, deployment planning, field operations, network operations, and network maintenance and removal.

For example, in Colombia, there is a specific protocol for the relationship with indigenous communities. The protocol contains the basic guidelines on conduct to facilitate the relationship with communities in order to:(i) prevent potential conflicts of interest with communities and (ii) determine the action for handling social crisis situations and reduce their impacts.

Also in Colombia, we have collaborated in developing a number of different guides on issues such as decent working conditions, the supply chain, relationships with local communities, strengthening the institution, and complaint and claim mechanisms; we have participated in trade union-related working groups regarding consultations with local communities and we have continued to promote and raise awareness of corporate policies regarding human rights, as well as the Responsible Business Principles, etc.

2.14.7.3. Progress in the five priority areas

Regarding the five priority issues for **Telefónica concerning human rights and environmental issues,** referred to in the Action Plan and Commitments section, we would highlight the following developments:

1. Digital inclusion

Telefónica maintained its position as the world leader in digital inclusion in the **Digital Inclusion Benchmark (DIB)** for 2023 conducted by the World Benchmarking Alliance (WBA).This benchmark analyses how the 200 most influential tech companies improve access to technology and reliable use of technology in order to foster a more inclusive digital economy and society.

As an essential part of our commitment to digital inclusion, and in order to ensure our new products and services are developed in a responsible way, we continue applying inclusive criteria in our **Responsibility by Design initiative.**

Simultaneously, we continue to allocate proceeds from sustainable bonds to finance the deployment of **mobile broadband connectivity** with the aim of reducing the digital divide in **areas with limited access** like in rural areas. This has enabled us to narrow the digital divide by offering mobile broadband connectivity to more than **7.200 municipalities**.

➕ For further information, see 1.7. Finance for the transition to a sustainable economy

Telefónica is a participant in the Bluevia consortium. This is a network operator which provides fibre-to-the-home (FTTH) services with the goal of improving connectivity by access to fibre in Spanish towns with fewer than 20,000 inhabitants and, by doing so, contributes to the social and economic development of these rural areas.

2. Digital rights (privacy, freedom of expression and information and cybersecurity)

At Telefónica, we have assumed our responsibility with regard to digital rights such as data privacy, freedom of expression and cybersecurity. As a demonstration of our commitment and ongoing progress, we have been recognised as the leading telco in this respect among all the global telecommunications companies assessed by **Ranking Digital Rights (RDR)**, in the last three editions of the RDR's index. For further information about our privacy and security policies, please see the Transparency Report on the Telefónica website.

➕ For further information, see 2.18 Privacy and security

As part of our commitment to digital rights, we created a new **Global Transparency Centre,** a public and accessible space which offers access to all the information about our policies and management in relation to the privacy, data security and freedom of expression of our customers. From this space, you can also access the existing local transparency centres.

In 2023, we continued participating in **B-Tech, a UN initiative**. B-Tech seeks to foster dialogue about human rights in the digital sector among different stakeholders and offer a platform for participation to generate shared knowledge about human and digital rights.

3. Responsible use of new technologies (AI and big data)

In order to ensure that new technologies such as AI and big data are developed and used responsibly, we have continued to introduce our AI principles throughout all our operations. Therefore, in 2023 **we approved new internal regulations on the AI Governance Model** which embodies our commitment to ethical and responsible progress in new technologies. These regulations set out the roles and processes necessary to ensure respect for human rights in new technologies and responsible management of AI through a specific governance model.

In this context, we offer a course to all our employees on how to apply and respect human rights right from the initial design stage, which includes considerations about responsible use of AI.

Furthermore, as part of our participation in **B-Tech**, we have joined a specific working group on **responsible management of AI** in collaboration with other companies in the sector and other stakeholders. Its aim is to share and apply best practices, taking into account the constant evolution of AI.

➕ For further information, see 2.11. Sustainable offering and innovation

4. Protection of children

At Telefónica, we focus on making the **Internet a safer place for children**, thereby reaffirming out commitment to children's rights through specific measures. Our processes and initiatives are based on the Children's Rights and Business Principles developed by Unicef and use its MO-CRIA (Mobile Operator Child Rights Impact) self-assessment tool.

Children (including boys, girls and teenagers) are one of the vulnerable groups highlighted in the internal policies of our Responsible Business Principles, our Responsible Communication Regulations and the Supply Chain Sustainability Policy.

In addition, in 2023 we continued to make progress with the following initiatives:

- **Products and services**: the Responsibility by Design initiative includes explicit criteria centring on protecting children as a potentially vulnerable group during the development of our new products and services. We also offer products such as SmartWifi, which enables parents to control their children's access to online content.

- **Audiovisual environment**: creation of a Movistar Plus+ child profile to be used by children up to 12 years of age to ensure a secure technological environment within the Movistar + application.

- **Secure Internet environment:** collaboration with the Internet Watch Foundation, to identify and block online images of child sexual abuse.

- **Responsible communication:** our Responsible Communication Regulations provide explicit guidelines to protect children in our communications with customers.

5. Social and environmental standards in the supply chain

While our supply chain management is explained in more detail in the chapter 2.20., it is important to highlight our abiding commitment to ensuring that our suppliers operate in a way that respects human rights.

To achieve this, in 2023, as in previous years, **we required all our suppliers to sign and accept the Supply Chain Sustainability Policy**, which sets out contractually binding human rights requirements. We also conducted a **risk analysis** to identify any suppliers which may constitute a potentially high risk in terms of sustainability, in general, and human rights in particular, based on their business activities, among other criteria. Once we have identified any potential high-risk suppliers, we invite them to conduct an assessment of their sustainability performance. This **assessment of potential high-risk suppliers** is performed through Integrity Next, an external platform that enables us to assess our suppliers' performance on a number of different sustainability issues such as labour conditions, health and safety.

In addition, we verify the compliance of the most important suppliers through on-site audits. In a similar way, we also conduct on-site audits through our internal Allies Programme (for suppliers of services) and the sectoral-based Joint Alliance for CSR (JAC) initiative (for product manufacturers) in conjunction with other ICT sector companies. These audits address specific issues such as forced labour, child labour and/or conflict minerals, and include follow-up monitoring to ensure corrective actions are taken for any nonconformities detected.

Practical example of corrective action: audits and working groups

We work to ensure that human rights are respected throughout the value chain. In the case of suppliers (upstream), we make sure that they meet their obligations in that respect, 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 and child labour.

Audits help us to identify potential non-compliance with human rights by our direct and indirect suppliers (Tier 2 and above). A case in point from 2023 was the discovery that one of the factories audited was retaining part of its employees' wages to cover the cost of the personal protective equipment (PPE) required to do the work. As a corrective measure, it was agreed that the company would be responsible for covering the cost of the work overalls and for offering the PPE free of charge for all employees. More examples of corrective actions are given in the table in the section on "JAC audit details" (chapter 2.16.).Responsible supply chain management.

In addition to audits, we are part of a specialised due diligence working group within the JAC sectoral initiative. This working group was created in 2023 and analyses the developments as regards the new human rights and environmental requirements in the EU. It provides a space for telcos to work together to promote sustainability in the supply chain in the ICT sector.

For further information, see 2.1.9 Responsible supply chain management

Milestones

❶ Human rights risk assessment in all our operations.

❷ Implementation of the recommendations from the Global Impact Assessment performed in 2022.

❸ Publication of the Human Rights and Environmental Due Diligence report.

❹ Inclusion of the results of the Global Impact Assessment in the double materiality analysis.

❺ Leading telco in the latest edition of the Ranking Digital Rights index and the Digital Inclusion Benchmark.

Summary of key indicators

	2022	2023
No. of employees trained in human rights through our Responsible Business Principles course from its launch in 2022	91,347	92,401
% 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)	9,964	9,028