

Fiscal transparency



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Key points

20.4

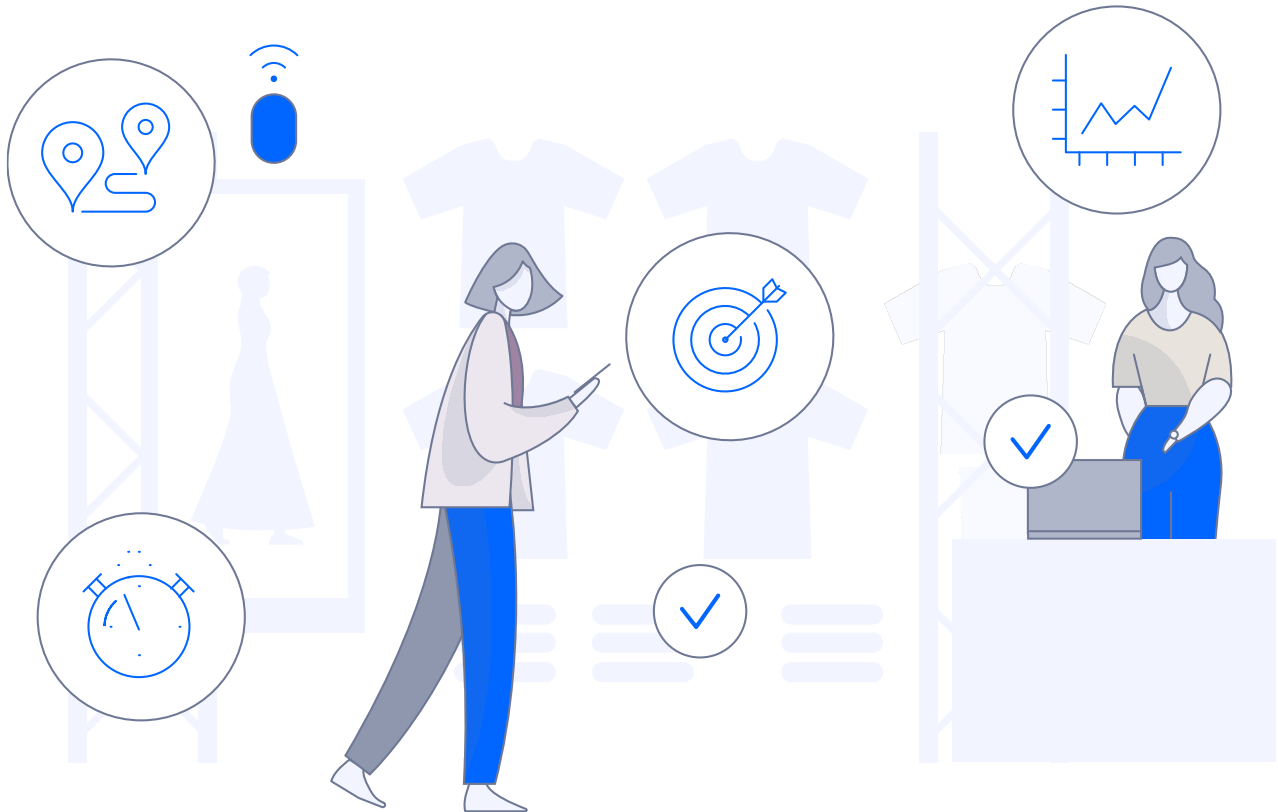
euros for every 100 euros of turnover is Telefonica's tax contribution in 2024.

8,447

million euros are the taxes paid during 2024 of which 2,583 million are borne taxes and 5,864 million euros are collected taxes.

S&P CSA

and Sustainalytics has awarded us the highest score, once again, for our tax transparency.





Vision

GRI 207-1



Telefónica's tax architecture is based on our Responsible Business Principles, the guidelines that inform our daily activity and define how we conduct our business. In accordance with said guidelines, we are committed to honesty, respect for the law and transparency in the conduct of our fiscal affairs.



At Telefónica we adhere to the OECD guidelines for multinational companies in order to ensure strict compliance with our **tax obligations**. We strive to be a model of best practice, ensuring that we contribute faithfully and loyally to the public finances of the countries and territories in which we operate and that we are fully compliant with the tax legislation and the principles that drive sustainability. The Company's fiscal contribution is one of its main contributions to the economic and social development of the places in which it operates.

Accordingly, and in line with our commitment to fiscal transparency and the UN Sustainable Development Goals (SDGs), we publish our total economic and social tax contribution on our [corporate website](#).

In that regard, the statements presented under this GRI 207 standard enable Telefónica to achieve some of the SDG targets it has set itself.

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Governance

GRI 207-1, 207-2



The **bodies responsible** for **Telefónica's fiscal control framework** are as follows:

Determination of the Group's tax policy and strategy is the responsibility of the **Board of Directors** and cannot be delegated; therefore, the Board of Directors is also responsible for their approval and any future modifications. The **Group's Tax Department lead**, develop and review the tax strategy.

Every year the Group's Tax Department and the Regional Divisions report to the Audit and Control Committee and, where appropriate, to the Board of Directors on the following matters:

- The tax policies and criteria that the Group follows in order to facilitate the task of supervising the tax risk management system, which, in accordance with the provisions of the Code of Good Tax Practices, is entrusted to the Audit and Control Committee by the Spanish Corporations Act.
- The status and development of tax risks.
- The tax impacts of all relevant transactions submitted for approval in accordance with

Section 529 Ter of the Spanish Corporations Act.

- Transactions that are particularly important from a tax perspective.

Those responsible for tax in each subsidiary put the necessary management procedures in place to ensure that fiscal control is being performed in accordance with the defined principles and operating regulations.

2.1. Assessment of compliance with the fiscal governance and control framework

The Group's Tax Department and the Regional Tax Divisions perform the analyses and verifications deemed appropriate to verify the correct application of the criteria contained in the regulations, tax strategy and tax control policy, and to guarantee control targets set by the Group.

In addition, as indicated in the Annual Corporate Governance Report, every year Telefónica validates compliance with the content and

commitments of the Code of Good Tax Practices and, therefore, validates that it is complying with its governance framework.

2.2. Integration of the Telefónica Group's fiscal approach

Telefónica will ensure that the departments involved in tax functions have the necessary means to guarantee compliance with tax obligations in all the countries in which the Company operates.

Those responsible for tax at each company participate in analysing all transactions that may have tax implications. When doing this:

- They are provided with the necessary financial, human and material resources.
- They can and should, where necessary, establish permanent computer links with the information systems of Group companies.
- They receive maximum support and assistance from the Group companies.
- They may require the participation and collaboration of Group company employees.

For further information about this, see the core principles of the fiscal control function that Telefónica has developed as part of its [Fiscal Control Policy](#).



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Policies



The [Fiscal Control Policy](#), which is approved by the Board of Directors and available on the Telefónica website, has the following targets:

- Correct fulfilment of tax obligations in due time and form.
- Effectiveness and efficiency of operations from a tax perspective.
- Duly supported and documented position-taking or tax strategy.
- Reliability of tax information.
- Transparency vis-à-vis third parties, especially the tax authorities.
- Tax risk management.



4



Impacts, risks and opportunities

GRI 207-2

We are aware of the **impact** we have on society and of our contribution to economic development through taxes and other specific contributions. For this reason, transparency is key to communicating tax information in a visible, understandable and complete manner. This allows us to build trust with all our stakeholders.

With regard to tax **risks**, and as generally defined for the Company, the Group has a level of risk tolerance or acceptable risk established at corporate level, meaning the willingness to assume a certain level of risk, to the extent that it allows the creation of value and the development of the business, achieving an appropriate balance between growth, return and risk.

In assessing tax risk tolerance, the Company takes into consideration the various circumstances that may affect this type of risk, such as the legal, political and regulatory environment of the country in question. Consequently, this sensitivity threshold is analysed annually on the basis of the aforementioned criteria, both for the Group as a whole and for its main component companies. In any case, the Group always assesses its tax risk

tolerance on the basis of correct and strict compliance with tax regulations in each of the countries in which we operate.

As we mention in the corporate web [Sustainability and Innovation / How we work](#), we manage tax risks in order to prevent and reduce tax litigation to that which is necessary to defend the tax positions legitimately adopted by Telefónica.

To this end, Telefónica has a **Risk Management Model** based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), which facilitates the identification, assessment and management of the different risks, as detailed in the [Consolidated Annual Report 2024](#), Chapter 3 on Risks.

Under this model, **four risk categories** are defined: business, operational, financial and legal, and compliance. In this respect, the latter category includes **tax risks**.

Tax risk typology and associated controls.

In relation to their origin, risks of a tax nature are classified as follows:

- **Compliance risk:** relating to the fulfilment of obligations in the tax field (submission of declarations, information requirements. etc.).
- **Interpretative risk:** the possibility of interpreting tax laws differently from the Administration's criteria.
- **Regulatory risk:** associated with legislative activity and regulatory volatility and complexity.
- **Reputational risk:** related to the current context of demands and public scrutiny in terms of transparency and the perception by different stakeholders of companies' fair compliance with their tax obligations.

Although risk identification is a continuous process and requires the involvement of the entire organization, in the case of tax risks, the Corporate Tax Department promotes and coordinates their identification and regular updating.

The policy of control, evaluation and management of tax risks is developed in the Tax Control Policy, available on the [corporate website](#).

4.1. Reporting obligations

Every quarter, those responsible for tax control at each of the Group's companies inform the Tax Department – through the Regional Tax Divisions – of the main conclusions of the tax risk identification and assessment process, including those related to:

- Litigation in court/arbitration.
- Litigation in administrative proceedings prior to judicial proceedings.
- Transactions with implicit risk that may be examined by the tax authorities.

They also report on external tax audits and inspection processes by the tax authorities.

Furthermore, because of the entry into force of DAC 6, the Group has developed a procedure for detecting and reporting notifiable mechanisms.



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Action plan and commitments

GRI 207-2, 207-3

Pursuant to Section 529 Ter of the Spanish Corporations Act, on 14 December 2016 the Board of Directors of Telefónica approved the Group's tax strategy as published on our corporate website.

5.1. Regulatory compliance

At Telefónica we are committed to complying with all national and international tax legislation, regulations and obligations, respecting both their letter and their spirit.

In fact, we devote all necessary resources and take all appropriate measures to make a reasonable interpretation of the rules, taking into account the legislator's intention pursuant to the interpretative criteria established by the competent tax authorities and the legislative background. We also adopt the necessary control mechanisms to ensure compliance with these regulations as part of good business management.

Relationship between taxation, sustainable development and business

At Telefónica we pledge that any position we may take on tax shall serve our commercial and business interests, that we shall pay taxes according to their true legal nature and economic substance, and that we shall avoid abusive tax planning schemes or practices. Consequently, the tax component of any transaction cannot be justified separately from the commercial and business reasons for the transaction in question.

Telefónica also applies the arm's length principle when engaging in transactions with related entities; the tax we pay in each country and territory is relative to the business we do there and the generation of value, as laid down in local tax legislation and the international taxation standards established by the OECD.

5.2. Stakeholder engagement and management of tax concerns

Relationship with tax authorities

At Telefónica we are committed to fostering a cooperative relationship with the tax authorities that is inspired by the principles of collaboration, trust, good faith, loyalty, professionalism, mutual respect and dialogue.

In order to apply the highest standards of tax transparency, since 2010 Telefónica, S.A. has adhered – by resolution of the Board of Directors – to the Code of Good Tax Practices drawn up by Foro de Grandes Empresas (Forum for Large Enterprises) in conjunction with the Spanish Tax Administration.

Based on the principles of transparency and mutual trust, we have voluntarily filed Transparency Reports with the Spanish tax authorities since the 2016 financial year, as authorized by the Audit and Control Committee within the functions delegated by the Board of Directors. More information about this can be found on our corporate website, in the Fiscal Transparency section.

Our approach to matters relating to the Spanish tax authorities also applies internationally. In this regard, Telefónica participates in various international forums to promote and develop the OECD's good practice recommendations.

We also participate in the cooperative compliance program in UK.

Contribution to legislative initiatives on tax matters

Telefónica actively participates in the *Foro de Grandes Empresas*. This allows us to intervene in tax legislation initiatives, highlight current problems that may arise during application of the tax system and propose new tax measures to increase legal certainty.

We contribute to the committees of telecommunications industry organizations such as the Connect Europe (formerly known as ETNO) and GSMA.

We are active collaborators in various industries and economic forums, such as DigitalES (Spanish Association for Digitalization) and Adigital (Spanish Association of the Digital Economy).

The Telefónica Group is also actively involved in tax policy through the committee of the Spanish Confederation of Business Organizations (CEOE).

Stakeholder dialogue

Telefónica's stakeholder engagement strategy is based on **increasing transparency and effective dialogue in order to build relationships of trust** in the countries in which we operate.

We maintain constructive dialogue and collaborate with various key stakeholders, such as non-governmental organizations – for example, Intermon Oxfam, the Haz Foundation and the Tax and Competitiveness Foundation and government agencies through the Foro de Grandes Empresas, which was created in 2009 as a body for cooperation between Spain's largest companies and the Spanish tax authorities. We also document all stakeholders' views on their expectations and perceptions of fiscal transparency as part of the consultation process that we perform for our materiality analysis. For further information, see the [Consolidation Annual Report 2024](#), Chapter 2.3. Materiality.

This relationship makes it possible to identify which aspects are considered most significant and which are new trends in the field of sustainability, which in turn enables us to set our targets, define the strategic plan and, in addition, assess our ability to meet society's expectations. In fact, thanks to our progress in this area, we were awarded the highest score in the S&P CSA and Sustainalytics ratings.

Reporting unethical behavior

Telefónica has public complaint and remedy mechanisms in place (the Whistleblowing Channel and Queries (Responsible Business) Channel) for reporting concerns about unethical or illegal behavior and the organization's integrity in relation to taxation.

Telefónica's Whistleblowing Channel and Queries (Responsible Business) Channel handles all tax issues reported by our various stakeholders.





Progress in 2024

GRI 207-2



6.1. Contribution to the development of local economies and local finances

GRI 201-4

In 2024, our total tax contribution (CTT) amounted to EUR 8,447 million (EUR 2,583 million to taxes borne and EUR 5,864 million to taxes collected), representing 55.3% of our distributed value (distributed value as taxes borne and collected over total distributed value, the latter being the sum of the following items: shareholder value - profit after tax, wages and salaries net of taxes collected, net interest and taxes borne and collected).

The total grants received by Telefónica in 2024 were EUR 238 million (EUR 87 million in 2023), which includes the receipt of capital grants and grants for other income.

The Group has not used any tax deductions in the last corporate income tax return filed in Spain.

For every 100 euros of turnover, we spend 20.4 euros in taxes (6.2 on taxes borne and 14.2 on taxes collected).

It is important to note that our economic and social contribution is not only quantifiable through income from corporate tax, but also through other comparable contributions with an impact on the profit and loss account, taxes, local taxes and social security payments.

In addition to these directly borne taxes, we generate revenue for the public coffers, as a result of our activity and on behalf of other taxpayers, other amounts that must be taken into account in the total tax contribution made by the Company, such as indirect taxes, employee withholding taxes and other withholdings.

6.2. Contribution in the countries

GRI 207-4

The following is a breakdown of the jurisdictions in which the Telefónica Group carries out its principal activity as a telecommunications service provider. Those other jurisdictions where the Group is present and whose activity is not its core business have been included under 'Other'. All amounts are in millions of euros.

The main companies comprising the Telefónica Group, as well as their principal activity, can be consulted in the 2024 Consolidated Financial Statements.

For the purpose of reconciliation with the figures reported in the Consolidated Financial Statements, consolidation adjustments and eliminations of intercompany transactions between Group companies in different countries, as well as the share in income of investments accounted for by the equity method, are also included under 'Other'.

However, there are differences with the Group's Consolidated Financial Statements, which are explained below:

- The Annual Accounts only include information on sales to third parties, while the CbCR (Country-by-Country Report) also includes a breakdown of intra-group sales
- In relation to the profit or loss before tax, there is an adjustment for the allocation to the year of the coupons corresponding to the subordinated perpetual bonds in the Netherlands.
- The differences with regard to taxes borne are due to the inclusion in the annual accounts not only of corporate income tax (as in the case of CbCR), but also of telecommunication charges, local taxes, other charges, license fees, social security and others.



Country by Country Report 2023 (million euros)

Tax jurisdiction	Unrelated parties income	Related parties income	Total income tax	Profit or loss before income tax ¹	Income tax paid ²	Income tax accrued	Nº. of employees ³	Tangible assets
Germany	9,280	158	9,439	675	135	-16	7,789	3,489
Argentina	1,651	175	1,826	-167	16	4	10,905	901
Brazil	10,476	50	10,526	1,064	201	99	35,517	6,458
Chile	2,003	99	2,103	-129	13	-47	4,159	1,047
Colombia	1,401	185	1,586	-70	66	54	6,516	840
Ecuador	508	8	516	-20	4	10	965	214
Spain	13,623	1,921	15,544	-1,217	303	-1,204	27,604	8,403
Mexico	1,463	69	1,532	-19	8	7	1,792	132
Peru	1,792	33	1,825	-158	9	-17	4,575	947
Uruguay	298	138	436	148	15	22	654	328
Venezuela	191	220	411	101	11	69	1,657	48
Other	836	-1,451	-614	-2,020	10	36	1,979	136
Total	43,522	1,607	45,129	-1,812	790	-984	104,112	22,944

1. Profit or loss before tax and income tax, adjusted for the allocation to the year of the coupons corresponding to the subordinated perpetual debentures. The consolidated financial statements of the Telefónica Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The local accounting standards applicable in each of the countries in which the Group operates may differ from IFRS. The table above groups all the Group companies according to the country of their tax residence. This grouping does not coincide with the Telefónica Group's segment breakdown. The results by country include, where applicable, the effect of the allocation of the purchase price to the assets acquired and liabilities assumed. Likewise, results by country exclude dividend income from Group subsidiaries, as well as the change in the provision for depreciation of investments in Group companies, which are eliminated in the consolidation process. The differences between the result of the Country-by-Country Report and the contribution per country to the Group's profit before tax correspond to the companies reporting under the equity method.

2. Excluded in 2023 are refunds received from different administrations, which correspond to overpayments of taxes from previous years, specifically, EUR 293 million in Spain and EUR 43 million in Peru and Chile. Withholding taxes paid to the various tax authorities have been allocated to the jurisdiction that actually bears them.

3. Number of employees refers to the average number of employees, distributed by tax jurisdiction

6.3. Reasons for the difference between the effective rate and the statutory rate

The Group closely monitors the differences between the nominal tax expense and the effective tax expense on a monthly basis.

At year-end 2023, the differences correspond to the permanent differences inherent to the mechanics of corporate income tax preparation. In other words, they comprise all those expenses or income recorded in the income statement that will not be deductible or will not be taxed for tax purposes and will therefore never be reversed in subsequent periods.

The most relevant ones are: the deductibility of the amortization of goodwill in Spain and the deductibility in Brazil of the distribution of Juros on capital. There is also a significant difference due to the non-activation of tax credits in countries with negative results.

In addition, during 2023, there were extraordinary accounting entries in the income tax expense account that justify a significant part of the differences between the statutory rate and the effective rate.

Specifically, the effects of the EU General Court ruling of 27 September 2023 were recognized in Spain by recording an addition of tax credits for

tax loss carryforwards with a balancing entry in deferred tax expense.

Likewise, the recoverability of the Tax Group's deferred tax assets in Spain was estimated, which led to the recognition of deferred tax assets for tax loss carryforwards and deductions, with a balancing entry in income tax.

Another relevant difference is the share of loss of VMO2 accounted for by the equity method. This result is part of the profit before tax but has no effect on the consolidated Corporate income tax.

Tax Contribution in each country (million euros)

Tax jurisdiction	Contribution by country to consolidated group profit before tax 2024 ¹	Contribution by country to consolidated group profit before tax 2023 ¹	Taxes borne 2024	Taxes collected 2024	Total taxes 2024
Germany	673	624	295	937	1,232
Argentina	-1,327	-167	142	461	603
Brazil	1,160	1,063	581	1,820	2,401
Chile	-563	-122	8	126	134
Colombia	-41	-100	165	135	300
Ecuador	29	-20	75	14	89
Spain	816	-1,264	775	2,033	2,808
Mexico	-8	-19	27	69	96
Peru	-872	-157	320	117	437
Uruguay	138	148	55	25	80
Venezuela	212	101	55	56	111
Others	-19	-1,899	85	71	156
TOTAL	198	-1,812	2,583	5,864	8,447

¹ Profit or loss before tax and income tax, adjusted for the allocation to the year of the coupons corresponding to the subordinated perpetual debentures. The consolidated financial statements of the Telefónica Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The local accounting standards applicable in each of the countries in which the Group operates may differ from IFRS. The table above groups all the Group companies according to the country of their tax residence. This grouping does not coincide with the Telefónica Group's segment breakdown. The results by country include, where applicable, the effect of the allocation of the purchase price to the assets acquired and liabilities assumed. Likewise, results by country exclude dividend income from Group subsidiaries, as well as the change in the provision for depreciation of investments in Group companies, which are eliminated in the consolidation process. The differences between the result of the Country-by-Country Report and the contribution per country to the Group's profit before tax correspond to the companies reporting under the equity method.

The breakdown of the corporate tax contribution is as follows:

Tax Contribution by region (million euros)

Region	2024		2023	
	Contribution by country to consolidated group profit before tax 2024	Corporate income tax ¹	Contribution by country to consolidated group profit before tax 2023	Corporate income tax ¹
Europe	1,489	188	-640	439
Brazil	1,160	189	1,063	201
Hispania	-2,432	474	-336	142
Others	-19	47	-1,899	9
TOTAL	198	898	-1,812	790

Profit or loss before tax and income tax, adjusted for the allocation to the year of the coupons corresponding to the subordinated perpetual debentures. The consolidated financial statements of the Telefónica Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The local accounting standards applicable in each of the countries in which the Group operates may differ from IFRS. The table above groups all the Group companies according to the country of their tax residence. This grouping does not coincide with the Telefónica Group's segment breakdown. The results by country include, where applicable, the effect of the allocation of the purchase price to the assets acquired and liabilities assumed. Likewise, results by country exclude dividend income from Group subsidiaries, as well as the change in the provision for depreciation of investments in Group companies, which are eliminated in the consolidation process. The differences between the result of the Country-by-Country Report and the contribution per country to the Group's profit before tax correspond to the companies reporting under the equity method.

¹ Excluded in 2024 are refunds received from different administrations, which correspond to overpayments of taxes from previous years, specifically, EUR 216 million in Spain and EUR 13 million in Peru and Chile.

Excluded in 2023 are refunds received from different administrations, which correspond to overpayments of taxes from previous years, specifically, EUR 293 million in Spain and EUR 43 million in Peru and Chile.

Withholding taxes paid to the various tax authorities have been allocated to the jurisdiction that actually bears them.

Milestones

- Telefónica is one of the 39 companies that have voluntarily submitted the 2023 Transparency Report to the Tax Authorities in Spain.
- Taxes borne and collected amounting to €2,808 million in Spain and €2,401 million in Brazil.



RESPONSABILIDAD FISCAL 2024

*In 2024, the Haz Foundation awarded Telefónica the "t for transparent ***" seal of transparency of fiscal responsibility in recognition of its efforts in this area, having achieved a level of compliance of 88%.*

