



ESG Highlights

2021 Consolidated
Report



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Introduction ESG at Telefónica



→ Telefónica: A leader in telecom infrastructure and digitalisation

> Telefónica operates in **12 countries** and offers telco services and digital solutions in more than 170 countries via strategic partner agreements.

> **Accesses by market**



#1 World leader (ex China in UBB)

#1 In copper network shutdown



159 million premises passed by UBB

84.5 million premises passed through own network

5G Coverage

> 80%



> +300

locations



> 30%



> 14 cities

with DSS



4G

Coverage

99% in Europa
82% in Latam

#1 Network virtualization



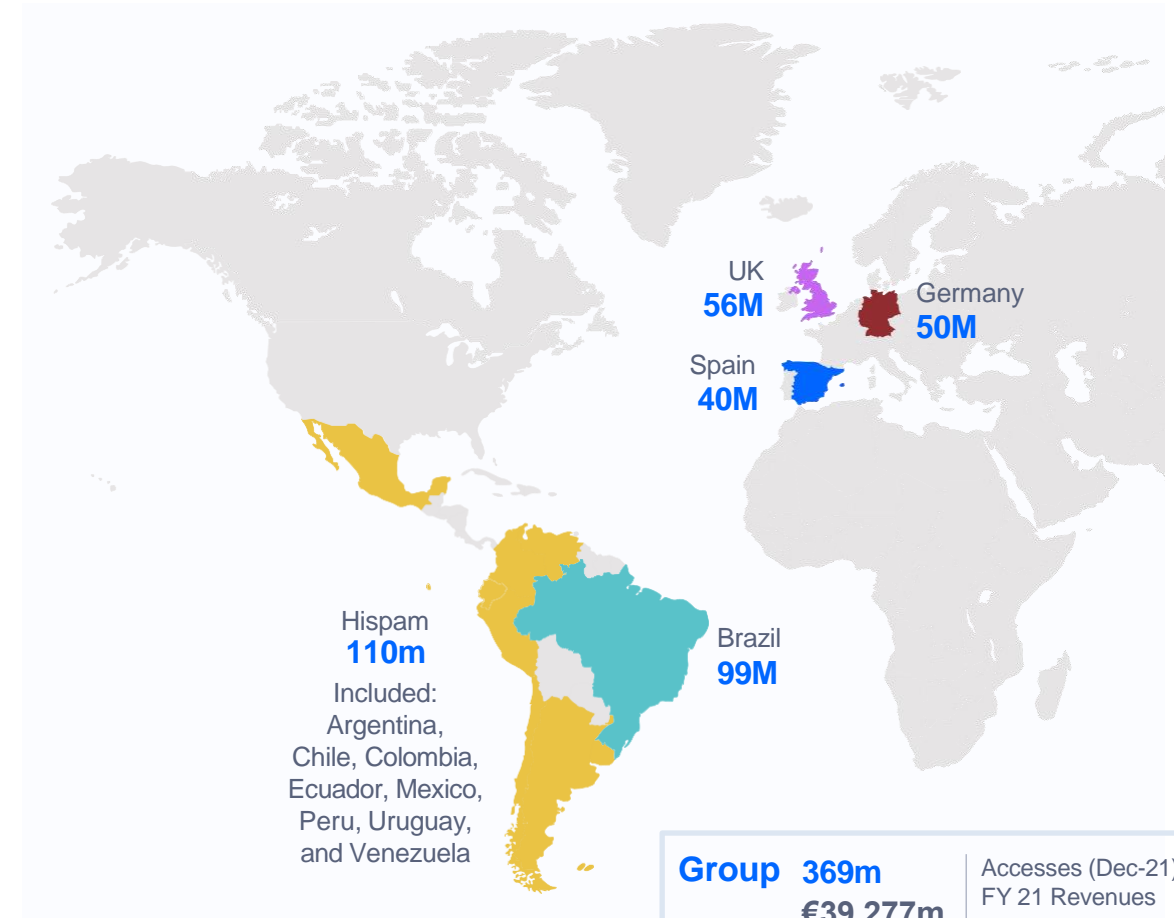
80%

of processes digitalised

>1.4k

Network simplification

Central Office closures in Spain



→ Integrating ESG at the core of the strategy

ESG commitment and purpose

Our purpose reflects the pillars of ESG:
 “To make our world more human by connecting people’s lives”

ESG materiality assessment

Internal and external stakeholder interests were included to identify key ESG issues

ESG aligned with global objectives

Our strategy is aligned with the United Nations Sustainable Development Goals



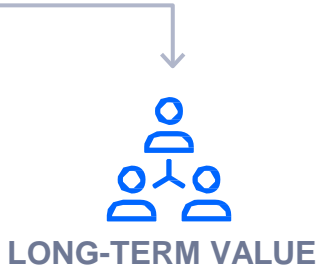
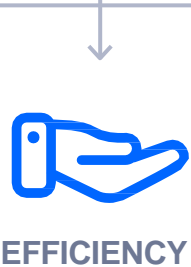
Evaluation →

ESG tangible goals

Execution →

ESG-driven remuneration

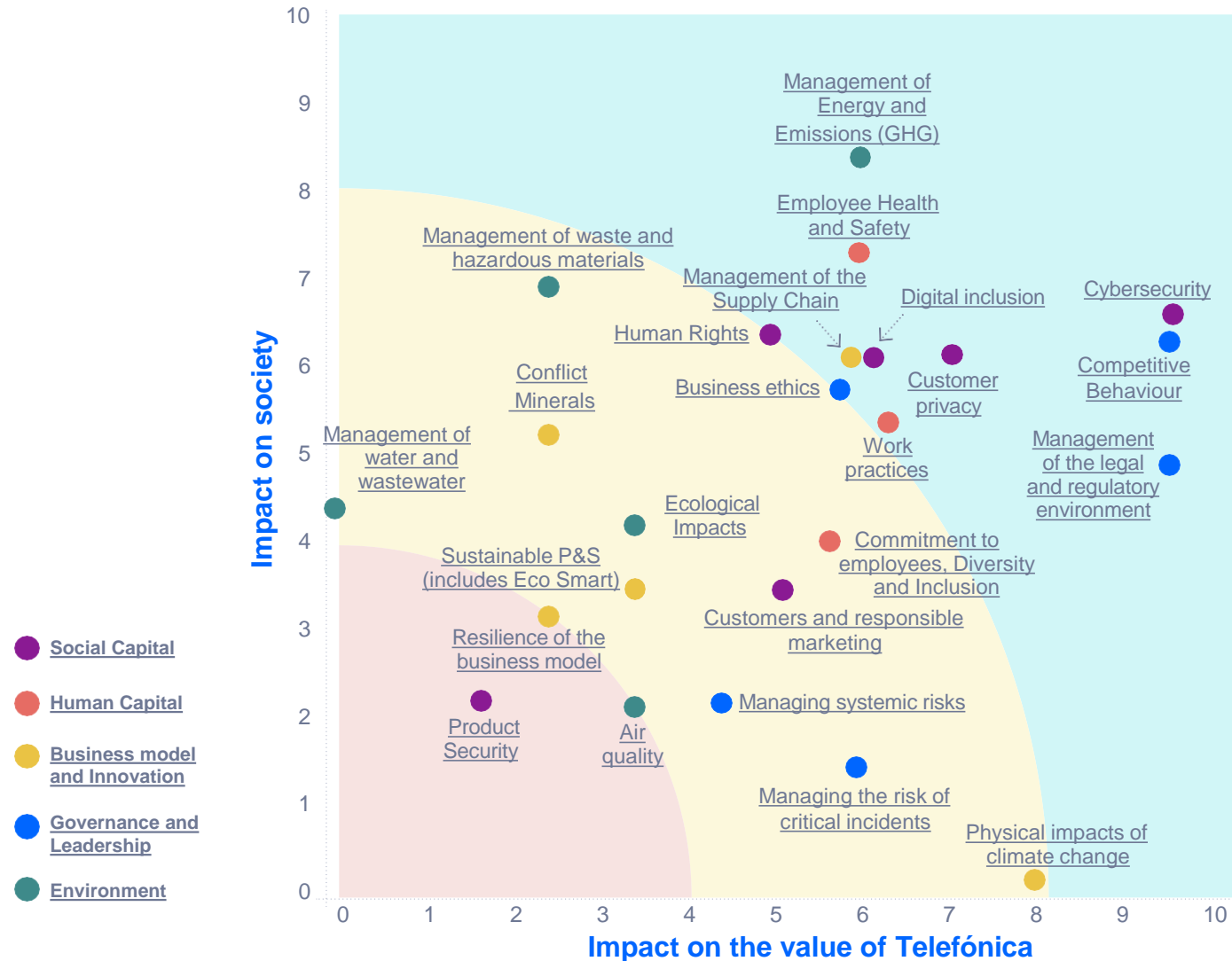
Telefónica strategy



→ Double materiality assessment as a determining element of our strategy

1st double materiality analysis

Key risks and opportunities

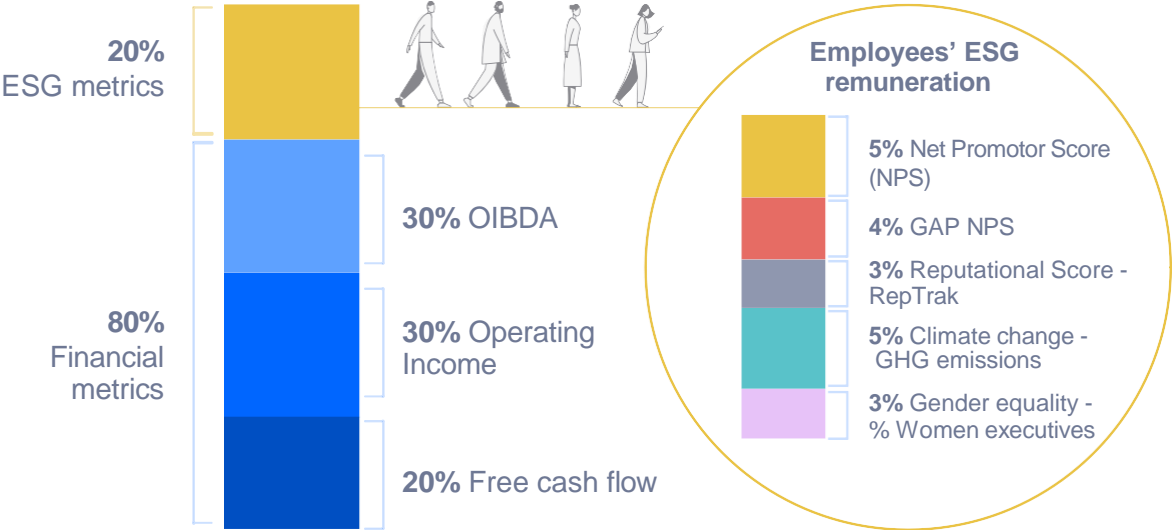


→ Human capital – Remuneration

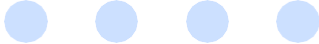
All employees



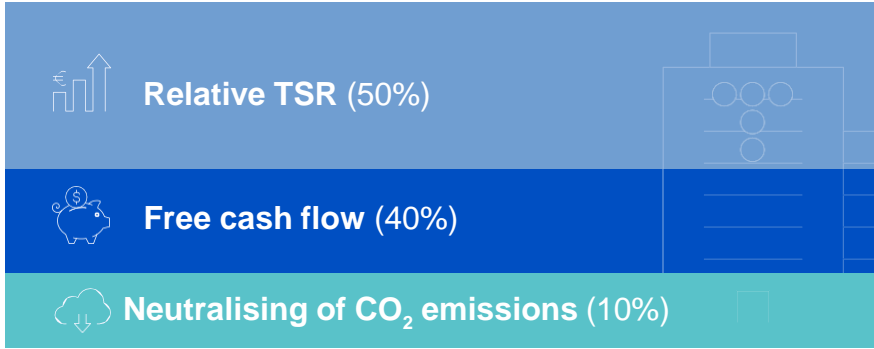
Annual variable remuneration



Senior executives (including executive directors)




Long-term incentives



→ ESG strategy with tangible goals

E “E” - Environment


Building a greener future



- > **Decarbonising our networks**
NET-ZERO emissions by 2040
(interim target: 2025 in main markets, Scope 1+2)
- > Fostering the use of **renewable energy sources**
100% renewable electricity by 2030
- > **Promoting circular economy**; ecodesign, reuse and recycling.
Zero-waste company by 2030
- > **Decarbonising the economy** through digitalisation and Eco Smart products and services
Help our customers to avoid 12 million tCO₂/year

S “S” - Social


Helping society to thrive



- > Promoting human-centric **connectivity**
Leading the industry in digital inclusion
- > Ensuring **inclusivity and equality as an employer**, for example:
33% exec. women by 2024
+/-1% adj. pay gap by 2024
Zero pay gap by 2050
- > Safeguarding **human rights**
Evaluate annually 100% of our operations
- > Developing **Products & Services** with ethical & sustainability criteria
100% of new P&S in Spain (YE 2022)

G “G” - Governance

Leading by example



- > **Best practices in Corporate Governance**
Gender parity in most senior governing bodies in 2030
- > A culture based on strong ethics and **responsible principles**
Zero tolerance to corruption
- > Building **digital trust**, safeguarding data security and privacy
Leading the industry in digital rights
- > **Proactive engaging with suppliers**
100% of critical suppliers assessed for sustainability by 2024

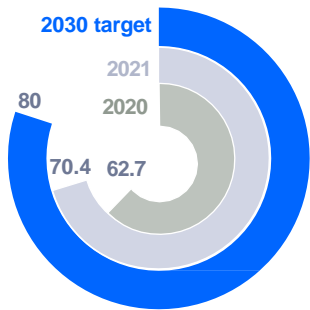
→ Our progress during 2021

Environment



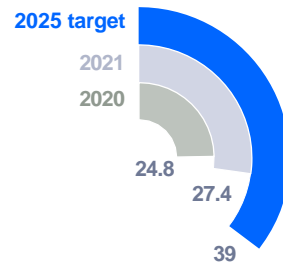
Scope 1+2 reduction

-% of scope 1 + 2 emissions reduced since 2015



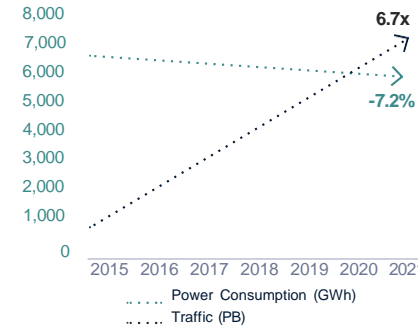
Scope 3 reduction

-% scope 3 emissions reduced since 2016



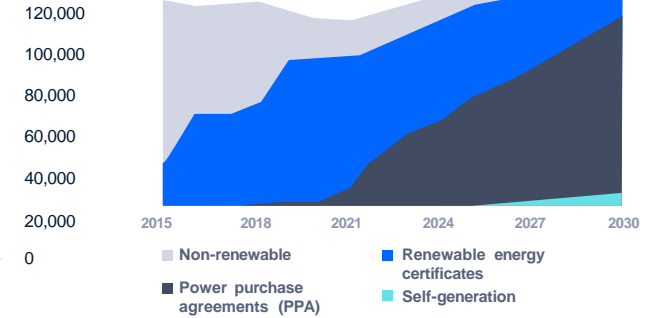
Energy use vs. data traffic

Energy



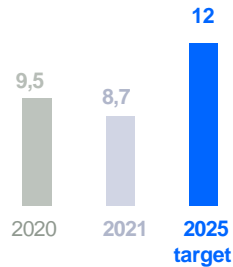
Traffic

Renewable energy



Avoided CO₂ emissions from customers

Million tCO₂ avoided through our products and services each year.



12 million tCO₂ is equivalent to the absorption of 200 million trees.

Zero-waste company by 2030

We recycle 98% of our waste and reuse 4.7 million of electronic equipment, +19% vs. 2020.

Equipment reused

4.7 million ← 16% Reused



Routers and decoders

4,382,126 units

Mobile devices

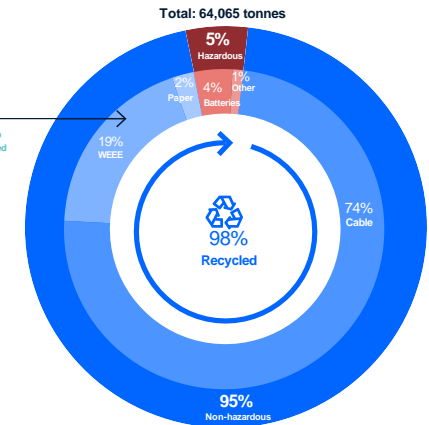
323,214 units

Donated equipment

1,692 units

Operations and office equipment

9,520 units



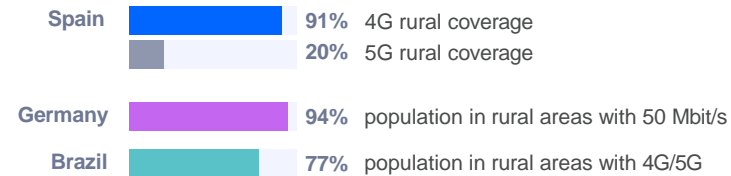
→ Our progress during 2021

Social



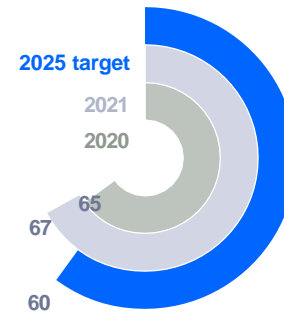
Rural connectivity

Commitment to reach mobile broadband coverage of 90% - 97%



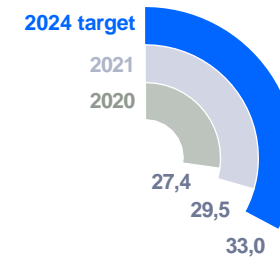
Employee NPS

Score above 40 considered 'Excellent'



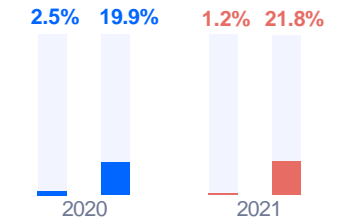
Gender parity (Directors)

% of directors who identify as women



Pay gap

% Adjusted pay gap / Gender pay gap



Increase in 2021 partly due to UK exit from perimeter. Launch of 2050 Zero Pay gap objective and programme to address issue. +/- 1% adjusted pay gap by 2024

Governance

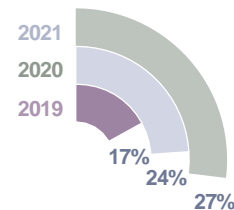


Sustainable Finance

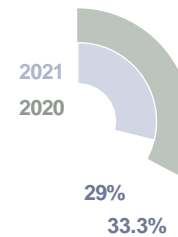
€bn raised through sustainable finance



Customer NPS



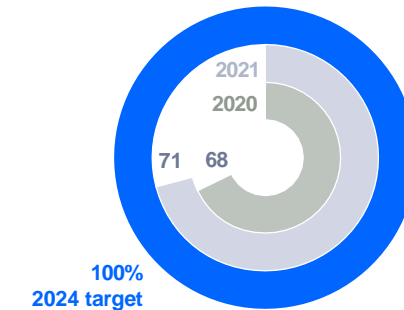
Women on the Board of Directors



Gender parity in the Company's most senior governing bodies by 2030

Sustainable supply chain

% of critical suppliers evaluated on sustainability



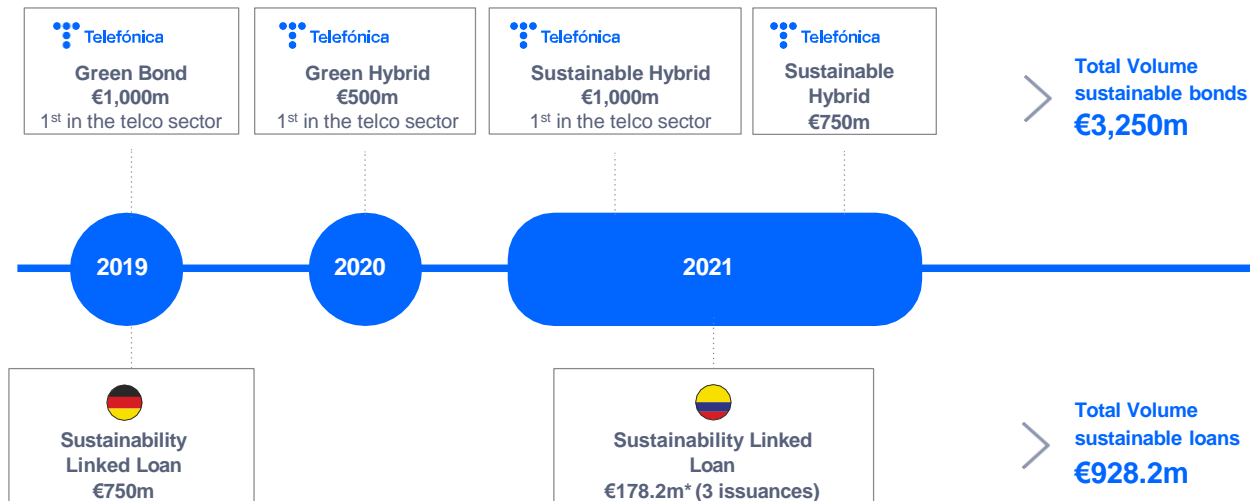
→ Pioneering sustainable finance in the sector

Telefónica was the first in the sector to issue a green bond and is the largest issuer of sustainable bonds in the industry. Our shareholder base of ESG-oriented investors is growing.

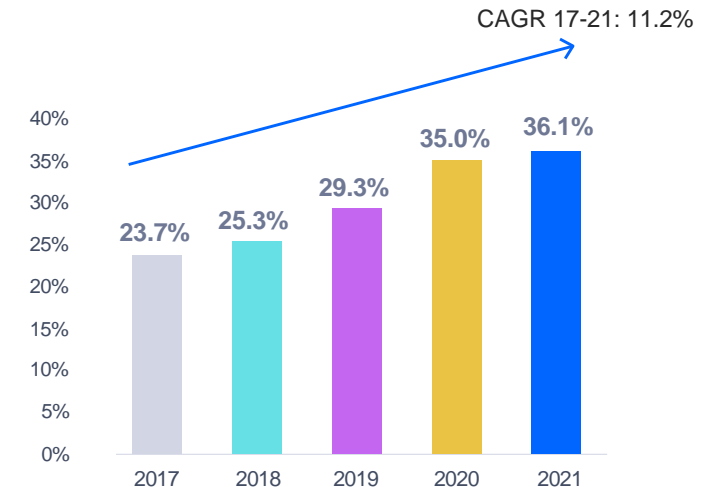
> Sustainable debt linked to ESG evolutions and issuances exceeded €4 billion in 2021.

> ESG institutional ownership represented 36.1% of Telefónica's institutional shareholder base.

Sustainable debt



ESG institutional ownership



This graph considers equity ownership that is held by ESG-oriented investors or held in ESG-themed funds of non-ESG Investors.

*Exchange rate applied at the time of grant.

→ Pioneering analysis of EU Taxonomy for sustainable activities


Under the European Union's Sustainable Finance Taxonomy regulation, companies are required to disclose their eligibility in sustainable activities. Telefónica is leading industry efforts to ensure a broad interpretation of eligible and aligned activities.

First year of application

Telefónica has reported a range of potential eligibility (for activity 8.2) providing a transparent analysis of minimum and maximum levels. So far we are the only telco conducting Life Cycle Assessment of networks and services to comply with the technical screening criteria of this activity.

Taxonomy Indicator	Taxonomy Activity	Revenue		CapEx		OpEx	
		Min.	Max.	Min.	Max.	Min.	Max.
 8.1	Data processing, hosting and related activities	2.2%		0.10%		n.a.	
 8.2	Data-driven solutions for GHG emissions reductions	0.80%	43.4%	0.01%	66.3%	0%	77.3%
 8.3	Programmming and broadcasting activities	6%		1%		n.a.	
Total Alignment	Total Revenue, CapEx and OpEx from Taxonomy-eligible activities	9%	51.6%	1.31%	67.6%	0%	77.3%

Key

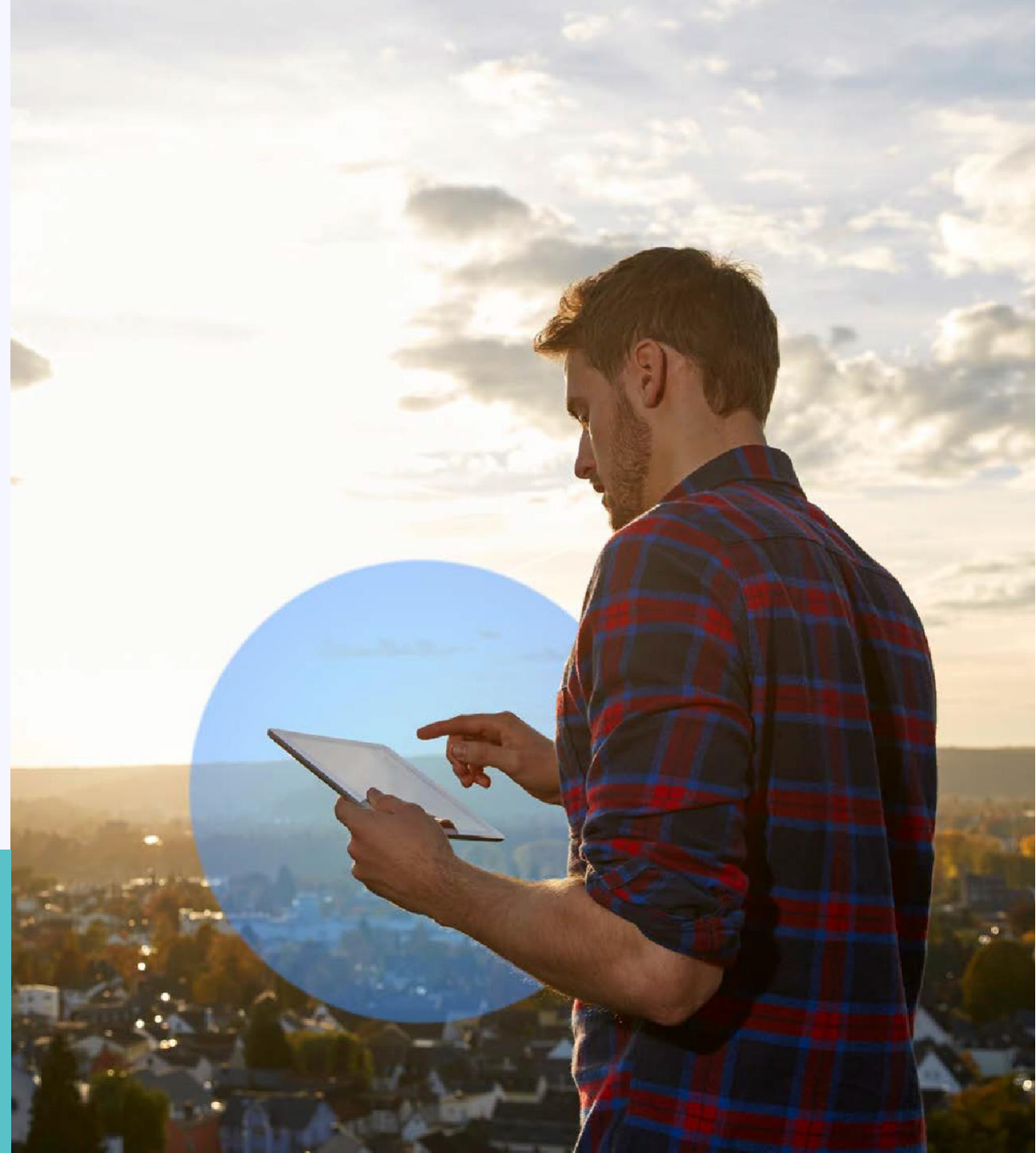
 Climate Change Mitigation

 Climate Change Adaptation

Telefónica's environmental policies have led the sector for many years. Our digital solutions are helping to decarbonise the economy.

- ✓ Responsibility with the environment
- ✓ Energy and climate change
- ✓ Circular economy
- ✓ Digitalisation and Eco Smart services

**Building a
greener future**

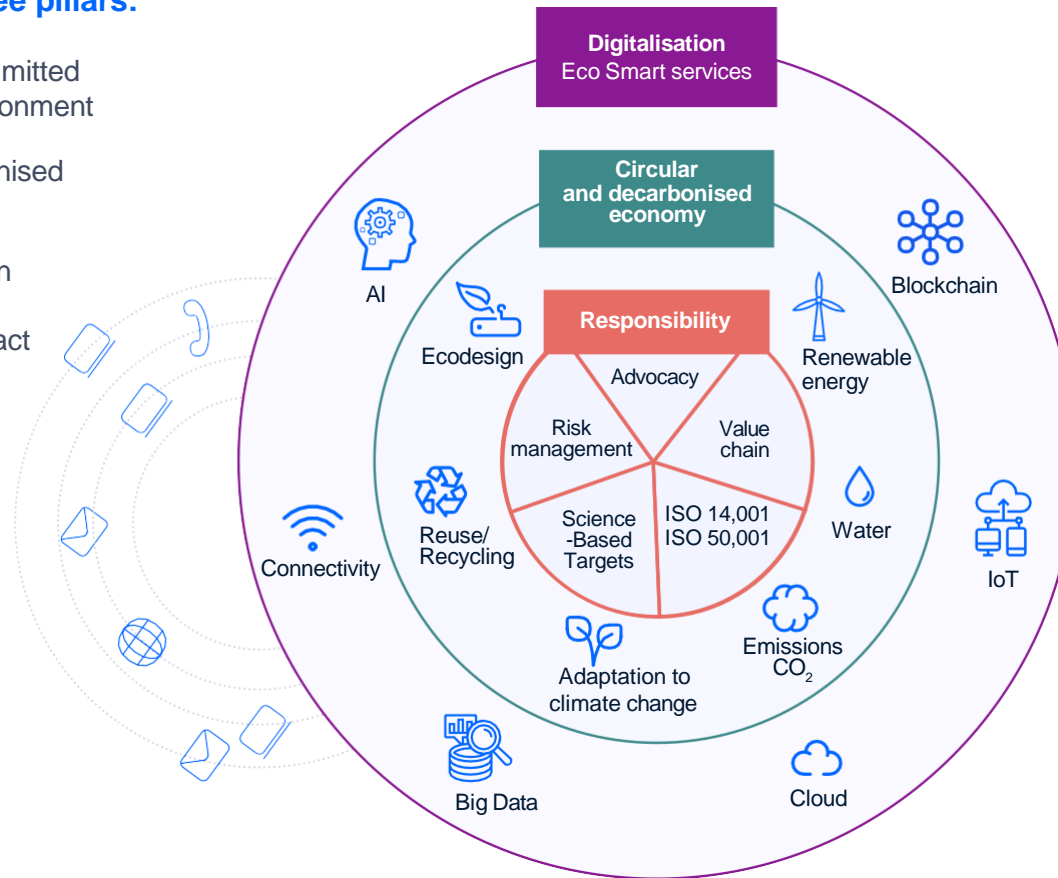



→ Responsibility with the environment

Our strategy seeks to minimise our impact on the environment and maximize the benefits generated by our digital products and services

Our strategy is based on three pillars:

- 1 Our responsibility as a committed company towards the environment
- 2 Our efforts to be a decarbonised and circular company
- 3 Our customers' digitalisation through services with a positive environmental impact



Environmental Strategy 

↓

- Risks = + Efficiency = + Resilience
 + Opportunities = + Income

We reduce our impact and provide solutions to major environmental challenges through digitalisation

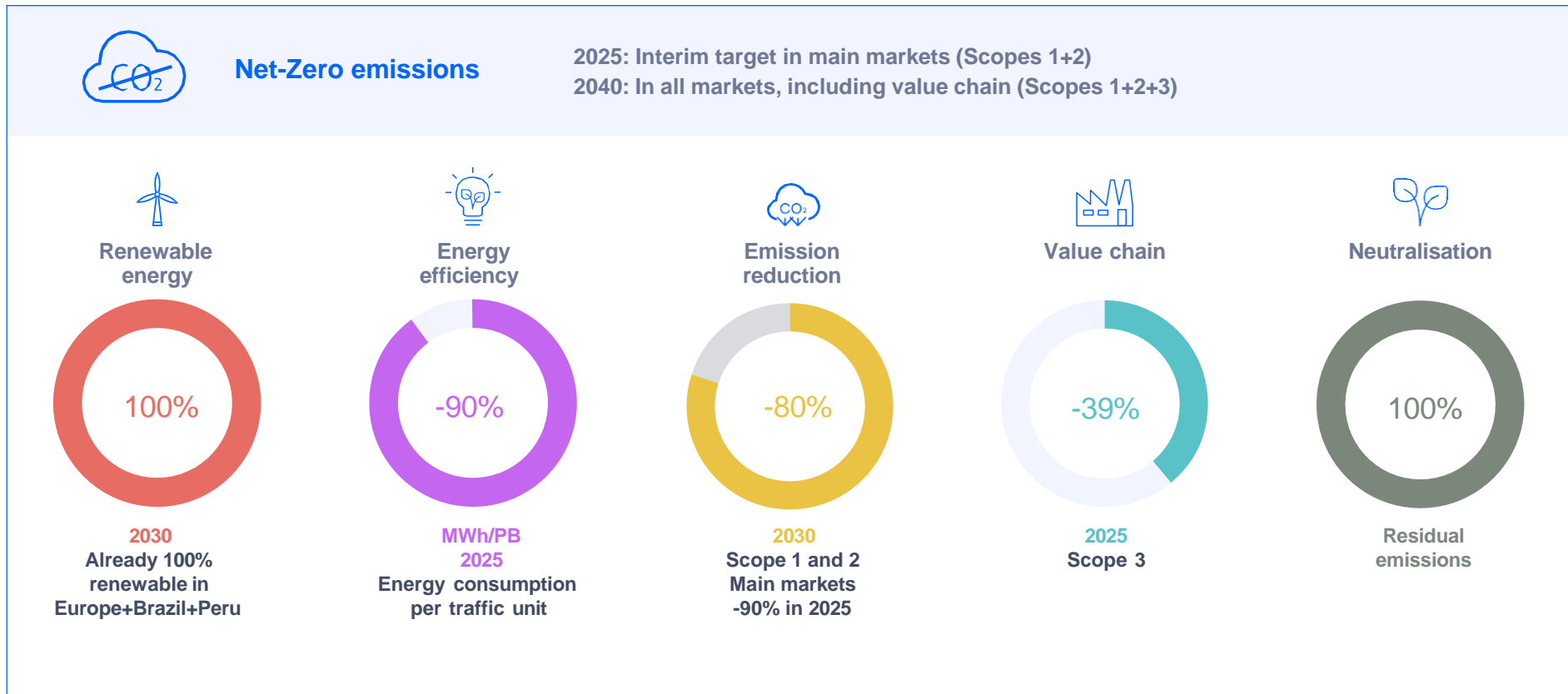
Externally-certified **Environmental Management System** according to ISO Standard 14001 for all our operators. (Energy Management System according to ISO 50001 also in Spain and Germany)



→ Energy and climate change

To support Telefónica's ambitious journey to Net Zero we have set interim targets that will help us to reduce our emissions in line with 1.5°C scenario (validated by SBTi).

To deploy the most efficient telecommunications network powered by 100% renewable electricity



*Reductions are compared to 2015 for Scope 1+ Scope 2 emissions and to 2016 for Scope 3 emissions

→ Energy and climate change

In order to reach our near-term and long-term climate targets, Telefónica has implemented a strategy that goes beyond the Paris Agreement and aims to limit the temperature increase to 1.5°C above pre-industrial levels.

Scope 1 + 2 performance



-70.4% reduction of Scope 1 + 2 GHG emissions globally since 2015
(-62.7% in 2020)



55.8% reduction of emissions intensity (scope 1+ 2 tCO₂e / € million revenue) since 2015

CDP A List for 8 Years



We are in CDP's 'Climate A List' of **200 best practice companies**

Renewable Energy



100% renewable electricity use in Germany, Spain, UK, Brazil and Peru

Journey to Net-Zero

Step 1

Set near-term and long-term science-based targets and implement a strategy to achieve them

Step 2

Reduce our own scope 1+2 emissions through energy efficiency and renewable energies

Step 3

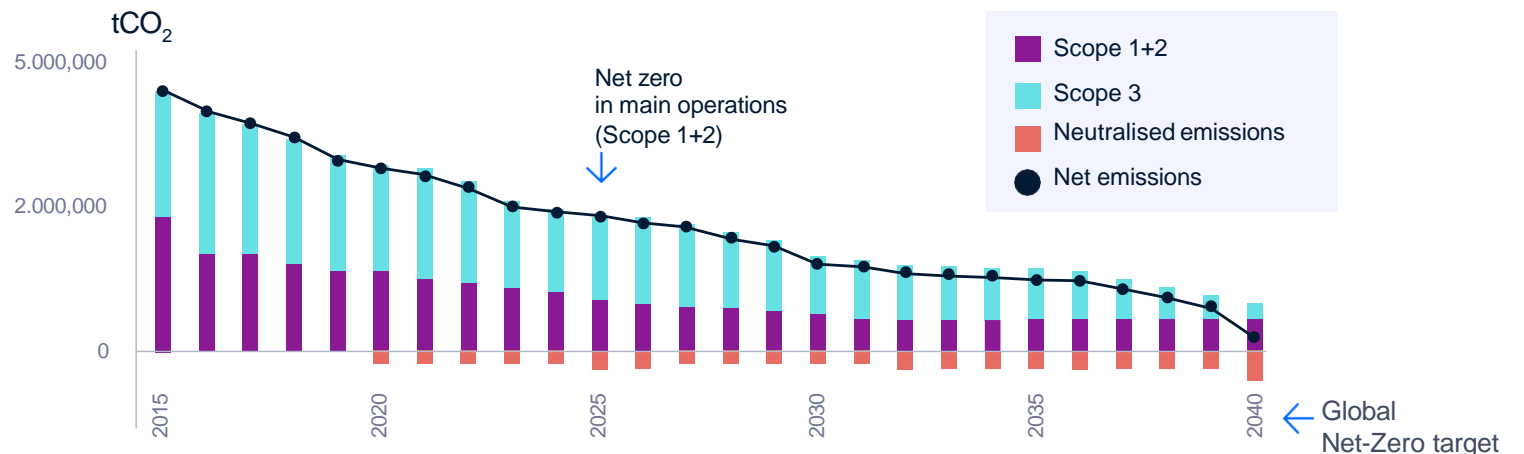
Reduce value chain emissions (scope 3) through suppliers' engagement and eco-design of our products

Step 4

Neutralise residual emissions through certified carbon credits

Telefónica's pathway to Net-Zero by 2040:

We reduce our emissions in line with the 1.5°C scenario and we neutralise the rest until we achieve Net-Zero.



→ Energy and climate change

Cooperating with our main suppliers and the telecom sector is key to reducing our value chain emissions.

Scope 3 reduction target

39% reduction of Scope 3 GHG emissions by 2025 compared to 2016

2021 performance

Our Scope 3 emissions have fallen by **27.4%** since 2016

Engaging Key Suppliers

Telefónica engaged **262** suppliers representing **90%** of our supply chain emissions

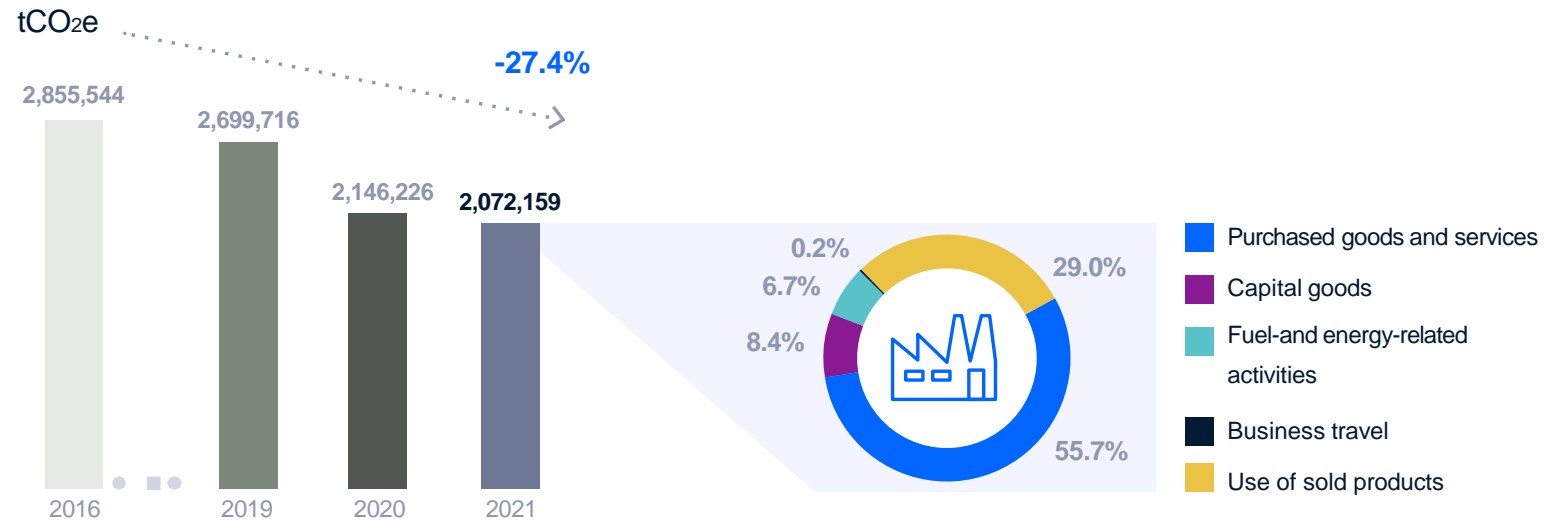
Efficient Products

Our home **wi-fi router consumes 30% less energy** than our previous solutions

Telefónica's suppliers engagement programme

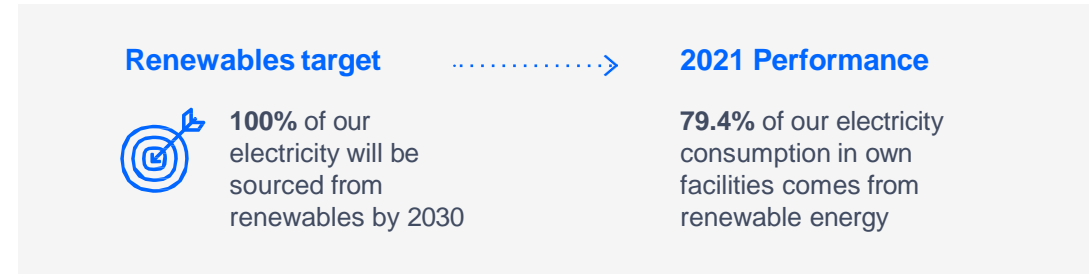
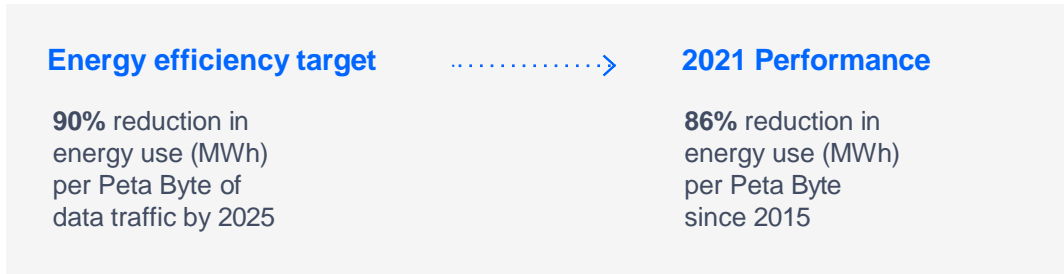
Telefónica is a **CDP Supplier Engagement Leader**. We engaged 52% of our suppliers through the **CDP Supply Chain programme**. We supported the launch of the **1.5 Supply Chain Leaders Initiative** and **lead the Joint Audit Cooperation (JAC) Climate Change Working Group**, encouraging strategic suppliers to set science-based targets and reduce their GHG emissions.

Scope 3 emissions

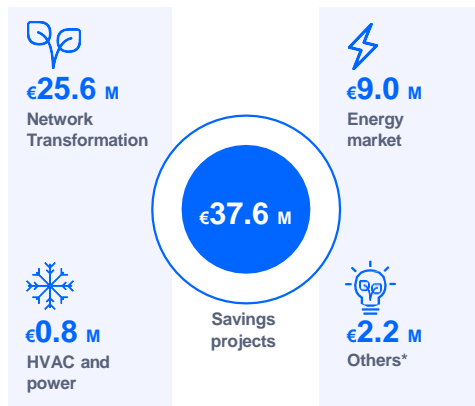


→ Energy and climate change

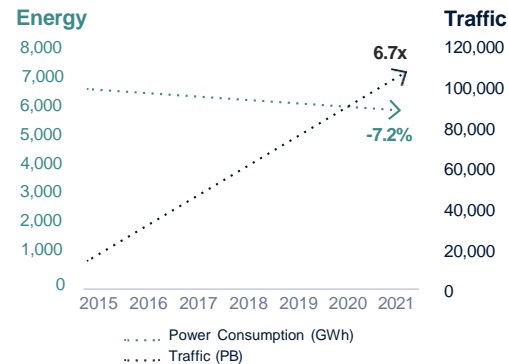
Our Energy Efficiency and Renewable Energy Plans include a wide range of initiatives aimed at reducing our own emissions (Scopes 1+2).



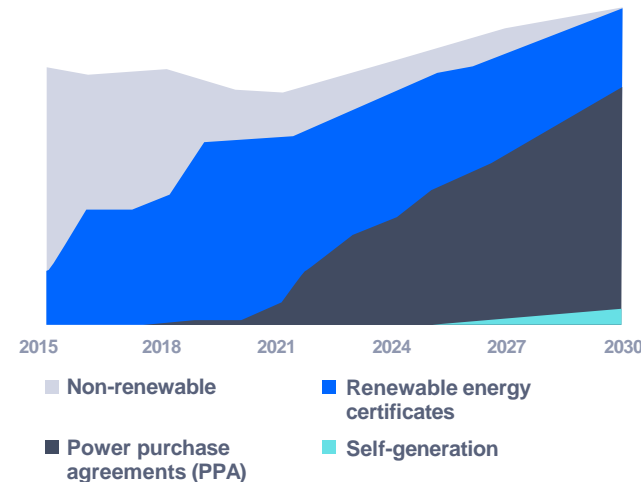
Energy Savings of 188 initiatives



Energy Use vs. Data Traffic



Renewable Energy



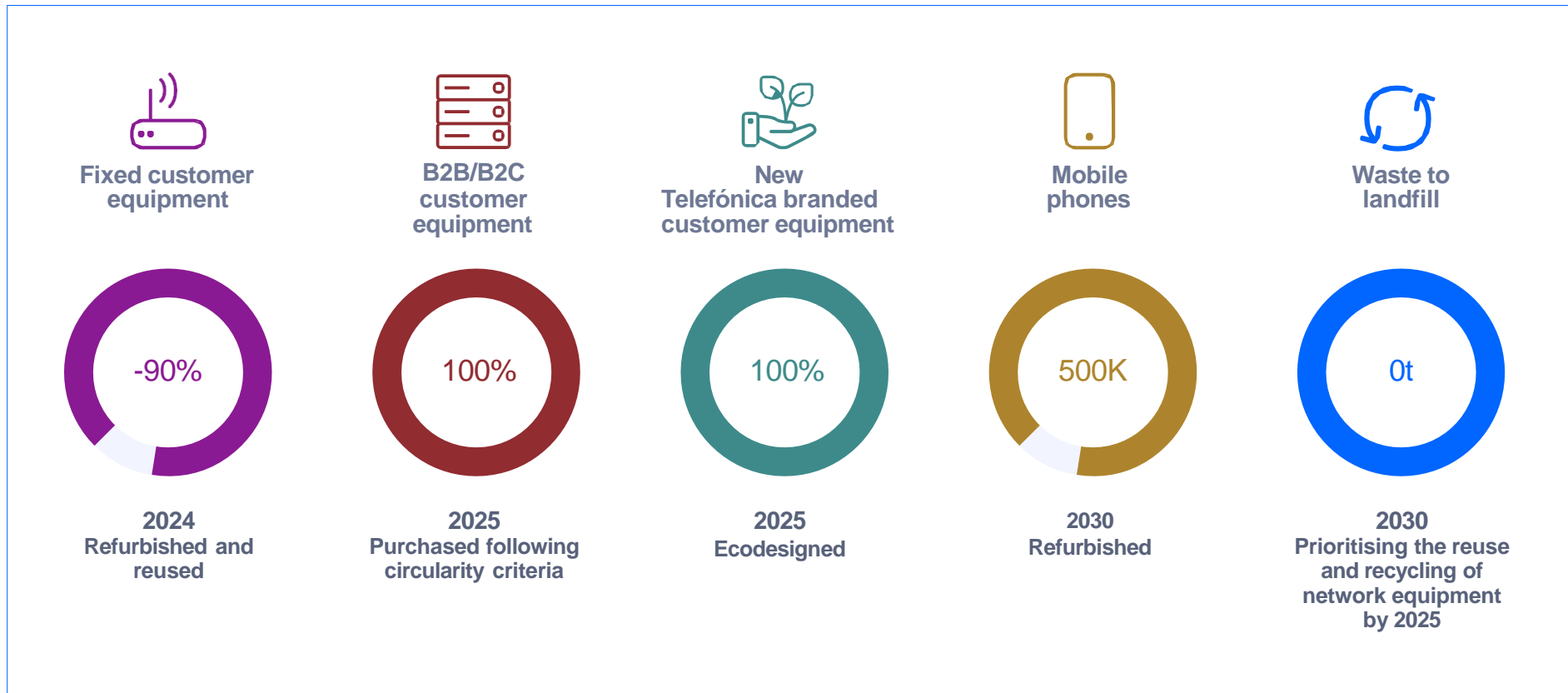
Our **Renewable Energy Plan** focuses on self-generation and signing long-term Power Purchase Agreements (PPAs).

This will reduce the purchase of certificates of renewable origin and increase savings in OpEx for electricity.

→ Circular economy




By integrating the circular economy principles into our processes and in our relation with customers and suppliers, Telefónica is enabling economic growth while optimising resource use and respecting the planet's boundaries.


Towards becoming a Zero-Waste company by 2030



→ Circular economy

At Telefónica, our strategy focuses on optimising resource consumption, promoting eco-design, as well as encouraging the reincorporation of materials into the productive cycle.

Zero-Waste targets	Zero-Waste progress
 <p>Zero waste to landfill in 2030, through reuse and recycling. Network equipment by the end of 2025</p>	<p>In 2021, Telefónica recycled 98% of its total waste</p>
 <p>By 2024, 90% of customer premise equipment will be reused or refurbished</p>	<p>In 2021, 84% of customer premise equipment was reused or refurbished</p>
 <p>To refurbish 500,000 mobiles per year in 2030 through various programmes</p>	<p>In 2021, 323,214 mobile phones were refurbished</p>

<h3>Ecodesign</h3>  <p>Aiming to apply eco-design criteria to 100% of new branded equipment by 2025</p>	<h3>Circular criteria</h3>  <p>100% of B2B and B2C customer equipment will be purchased with circular criteria by 2025</p>	<h3>Product Eco Rating</h3>  <p>Giving customers the power to make environmentally conscious decisions</p>
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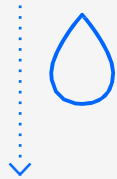
Enhanced circularity through digitalisation



→ Circular economy

Do more using less resources: We minimise the environmental impact of our services and operations through eco-efficient measures

Water management



Measures to reduce water consumption, **mainly in severely water-stressed countries** (Spain, Chile and Mexico)

2021 water performance



Telefónica's total water consumption **fell by 2%** compared to 2021

Reducing Paper



In 2021, **110 million** customers chose electronic invoices

Waste management

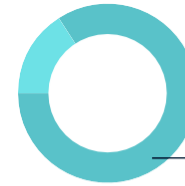
Our **GReTel** waste data platform enables efficient waste management

Zero waste company by 2030

We recycle 98% of our waste and reuse 4.7 million electronic equipment, 19% more than IN 2020:

Equipment reused

4.7 million ← 16% Reused



Routers and decoders

4,382,126 units

Mobile devices

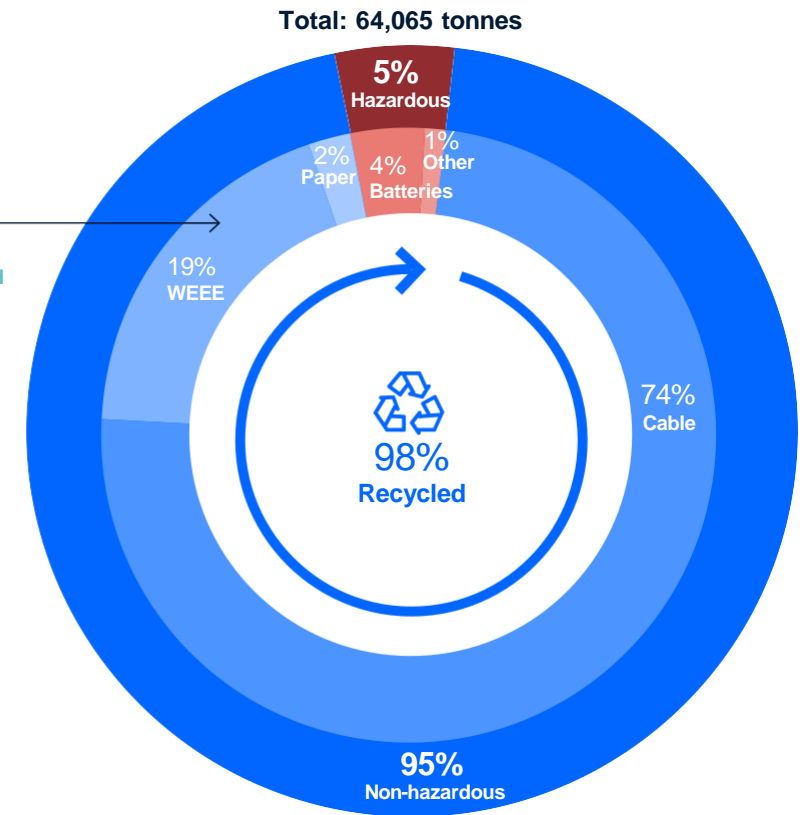
323,214 units

Donated equipment

1,692 units

Operations and office equipment

9,520 units



→ Digitalisation and Eco Smart services

Business to business digitalisation and connectivity are crucial tools for helping our customers tackle their environmental challenges.

Customer emissions target

Help customers & businesses to avoid **12 million tonnes of CO₂e /year** by 2025

2021 performance

8.7m tCO₂e avoided

Green services

52% of B2B Services in Spain are verified as **Eco Smart** by AENOR



Green tech coalition



We are a founding member of the **European Green Digital Coalition**

How Telefónica puts targets into action



Teleworking



Audio/video conferences



IoT & Big Data



Other digital services



Cloud



Energy savings



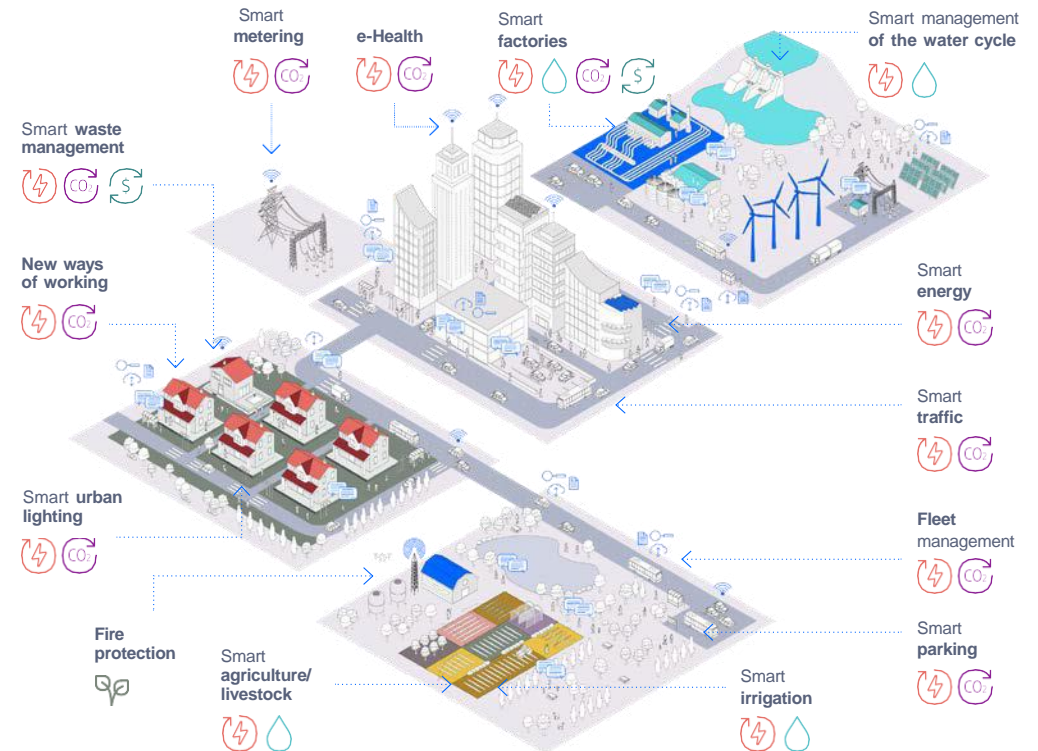
Reduction of water consumption



Reduction in CO₂ emissions



Circular Economy



Telefónica helps society by enabling an inclusive digital transition. Our human capital management aims to attract and retain the best talent.

- ✓ Digital inclusion
- ✓ Responsibility in products and services
- ✓ Human capital
- ✓ Human rights

**Helping society
to thrive**



→ Digital inclusion

We are boosting digitalisation and tackling inequalities to create a more sustainable society and economy.



Inclusive access

→ Connectivity deployment

Ensuring that everyone has access to broadband communication networks in all regions, both urban and rural

→ Accessibility

Making sure that our digital services are accessible so that everyone, regardless of physical capabilities, can make use of them

→ Affordability

Working to prevent cost being a barrier to using new technologies, by offering options and rates that are affordable for the whole population

> **90-97% coverage (mobile broadband) in rural areas** in our main markets in 2024

> **To evaluate 100% of new Products and Services**



Training in digital skills

→ Basic digital skills

Offering our knowledge and capabilities to improve the digital skills of those who need it most

→ Intermediate digital skills

Upskilling by teaching the use of programming tools and technology to improve the skills of the entire population

→ Employability and training in advanced digital skills

Training young people in the professions of the future which will require advanced knowledge of technology and communications

> **To train 100,000 people a year in new digital skills in our new Innovation Hub**



Innovation and relevant services

→ Sustainable Innovation: new services with a social impact

Developing new solutions and innovative services that improve people's lives and which are useful and relevant

→ Technology at the service of people with disabilities

We ensure that technology becomes a key tool to improve the lives of people with different abilities

> **To invest in R&D to develop new solutions to improve people's lives**



Safe and responsible use of technology

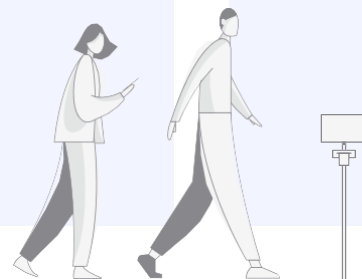
→ Privacy and security

Ensuring that products and services meet the strictest privacy and security standards to generate confidence in use of new technologies

→ Responsible use of technology

Protecting and fostering a responsible use of technology

> **To protect our customers' data with the highest privacy and security standards and promote the responsible use of technology**



→ Digital inclusion – Inclusive access

Internet access and new digital services are a cornerstone in achieving many of the Sustainable Development Goals (SDGs) ⁽¹⁾

2021 performance



91% 4G rural coverage (100% fibre optic coverage by 2024)
20% 5G rural coverage (50% of the population with 5G by 2022)



94% of rural population with 50 Mbit/s



77% of rural population with 4G or 5G
(Fibre to 5.5 million premises in the next 4 years)



Internet for all – 2.4m rural Peruvians with access to 4G



World Benchmarking Alliance

Recognised Leader
Ranked 1/150 in the WBA Digital Inclusion Index



Connectivity Roll-Out

- ✓ To extend coverage of broadband service to rural areas



Accessibility

- ✓ Products based on our Responsibility by Design framework
- ✓ Provide accessible content for hearing and visually impaired people on our Movistar+ TV platform
- ✓ We work with device manufacturers, to make devices easier to use for people with different disabilities



5S Movistar+ 5S

Developed more than 900 pieces of content new with 'triple accessibility'



Affordability

- ✓ We contribute to the Universal Service Fund with the result of guaranteed services for users regardless of their location

Universal services: Invested **€169 million** in universal services in 7 countries

→ Digital inclusion – Training, innovation and safe use of technology

In conjunction with inclusive access & connectivity, we promote digital inclusion through our three remaining pillars:

Training in digital skills



Basic digital skills

- **Digital mobile** for seniors in Germany
- **O2 Gurus**, specialising sales staff on technology
- **Conecta Educación**, personalised digital training



Intermediate digital skills

- **Free employability programme & Virtual Career Advisor**



Advanced digital skills

- **42: programming Campus**

Digital skills

More than 780,000 people trained during 2021

Innovation & relevant services

New services with social impact

- ✓ Financial inclusion
- ✓ Health solutions
- ✓ Digitalisation of the rural areas
- ✓ Data and artificial intelligence
- ✓ Security services

Technology serving people with disabilities

We commit to the Principles for driving the digital inclusion of persons with disabilities

Our products and services are **adapted** to various needs of people with disabilities

This as part of our approach to incorporate **'Design for All'** across our value chain

Safe and responsible use of technology

Building trust in new services, thus minimising concerns relating to security, risks or privacy



Privacy and security

- "Conexión Segura" is a free service filtering out more than 250 million threats



Responsible use of technology

- Raising awareness in society to identify fraud and infringements through training

More than 1.9 m people impacted through our responsible use of technology programmes and activities in 2021

→ Responsibility with our products & services

Telefónica has defined and is implementing a new framework in the product and service development processes: Responsible Design.

Target 2022

100% of our products and services meet Responsibility by design in Spain

Highlights

- ✓ 100% of our Products & Services comply with international health & safety standards and legislations
- ✓ We are one of the first companies to publish a set of Artificial Intelligence Principles
- ✓ Responsibility by Design process was integrated into Telefónica España and corporate units responsible for data and AI services

Responsibility by design

Ethics applied to design



Principles of responsibility to the customer

- ✓ Simplicity
- ✓ Transparency
- ✓ Integrity



Ethical principles applied to artificial intelligence and data management

- ✓ Fair
- ✓ Transparent and explainable
- ✓ With people as our priority
- ✓ With privacy and security from the design
- ✓ With partners and third parties

Sustainability applied to design



Design taking into account its impact on Human Rights

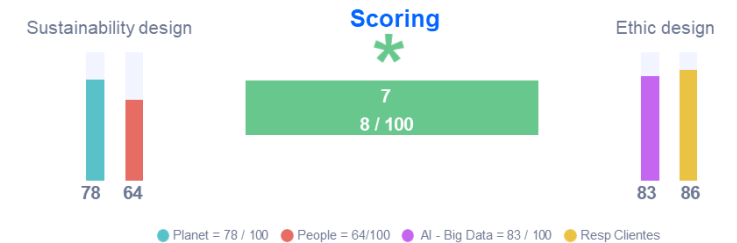
- ✓ Accessibility of the web application
- ✓ Digital technologies



Impact on the environment







- ✓ Ecodesign
- ✓ Waste
- ✓ Power consumption

Each new product is evaluated over each of the four main criteria to render a final score summarising the sustainability level of the solution:



→ Human capital

We have made good progress on our ambitious targets which enable us to attract and retain the best talent.


		Initial Target		Our 2021 Progress	
Professional Development		50%	Employees participating in annual new skills or reskilling programmes	70%	
		60% eNPS	Employee Net Promoter Score equal or greater than 60%	67%	
Diversity & Inclusion		33%	Executive women by 2024	29.5%	
		+/- 1%	Adjusted pay gap by 2024	1.2%	
		0%	Eliminate the gender pay gap by 2050	21.8%	
		Parity	On management executive committees and the Board by 2050	33% women on the Board of Directors	
		Promote Inclusion	Of people with disabilities according to the valuable 500 pledge	Online training made available to all employees. Specific sessions for Recruitment and People teams	
New Ways of Working		Flexible Working	100% of the workforce able to opt for hybrid working by 2024	70% of workers teleworking during 2021	
Safety, Health, and Wellbeing		Safe & Healthy Working	To provide safe & healthy working conditions to prevent injuries	86% of employees covered by Health & Safety Management System subject to third party or internal auditing	

*parity defined on not more than 60% and not less than 40% of each gender.

→ Human capital management strategy

During 2021 we have strengthened our commitment to the team across the 4 pillars of our human capital management strategy.

Human capital management strategy

Professional development	Promote diversity and Inclusion	New ways of working	Safety, health and well-being
<p>1.3 million training courses complete, 39 hours of training per employee</p> <p>SkillsBank rolled out to more than 90,000 employees</p> <p>53,854 awards to colleagues and teams</p> 	<p>As a key part of our human capital management strategy Telefónica seeks to promote a diverse and inclusive culture</p> <p>Across our main markets in 2021 we gave digital training to 170,000 people with disabilities</p> <p>Alliances with strategic partners such as UN Women, ClostinGap or GSMA, among others.</p> <p>52 initiatives aimed at promoting women in STEM</p>	<p>Hybrid, flexible and digital working model in all our operators</p> <p>We have 400 teams working on agile work initiatives</p> <p>Digital disconnection rights</p> <p>Work-life balance</p>	<p>90% of employees are represented on joint Health & Safety committees</p> <p>98% of employees covered by a safety, health and well-being management system</p> <p>Commitment from our suppliers</p> <p>T. Brazil - 'Wellness Space' helping 33,000 employees</p>

→ Human capital – Diversity & inclusion

We incorporate diversity and inclusion management as a defining element of our people strategy.

Women executives target

Have at least **33%** of executive positions filled by women by 2024

2021 performance



30% Women Executives

Pay gap transparency

Adjusted gender pay gap: 1.18% in 2021

Bloomberg

Included in Gender Equality Index for 5th year running on our commitment and progress in gender equality



Financial Times

Diversity Leaders 2021

Addressing all dimensions of diversity

Focus Areas	Programmes and Recognition
Governance	Global Diversity Council, Global Diversity Sponsor and Diversity Champions
Female talent	Both genders in final shortlists for recruitment processes for executive positions. Career acceleration, visibility enhancement programmes and internships specifically for women
People with disabilities	Training, internships, and tools to remove barriers ATAM, a private social protection system for families of Telefónica employees with disabilities
Racial diversity	We are committed to implementing initiatives to promote ethnic minority leadership
LGBT+	Initiatives to promote the attraction, development, and well-being of transgender people : Spain & Brazil (~50 trans employees)
Age	Programmes for the attraction and development of young professionals . Promotion of intergenerational diversity through mentoring programmes

→ Human rights

We respect and promote the fundamental rights of our employees, suppliers, customers and communities via a robust human rights due diligence process.

Targets 2021

Annual human rights assessment in all our operations (with corresponding action plans)

Performance

100% of our operations annually evaluated on potential human rights impacts during 2021



Mandatory human rights training for all Telefónica employees



1st telco worldwide in Ranking Digital Rights due to our commitment to human rights, privacy and freedom of expression

Our due diligence on human rights



1. Global Human Rights Policy adopted by Board of Directors
2. Regular impact assessments at different levels
 - Global impact assessments
 - Annual risk assessments in all markets
3. Policies and processes updated accordingly
4. Regular monitoring of & reporting on due diligence
5. Anonymous complaint/remedy mechanism via our Concern and Whistleblowing Channel

Focus on our material human rights issues

- ✓ Privacy and freedom of expression
- ✓ Responsible use of new technologies e.g., AI & Big Data
- ✓ Decent working conditions in supply chain
- ✓ Child rights and online safety
- ✓ Community impacts through network deployment
- ✓ Protection of the environment

Telefónica maintains strict levels of governance oversight through policies, personnel, and programmes.


- ✓ Corporate governance
- ✓ Culture based on ethics
- ✓ Customers
- ✓ Data privacy
- ✓ Security and cybersecurity
- ✓ Managing a responsible supply chain


**Leading by
example**



→ A balanced and diverse board

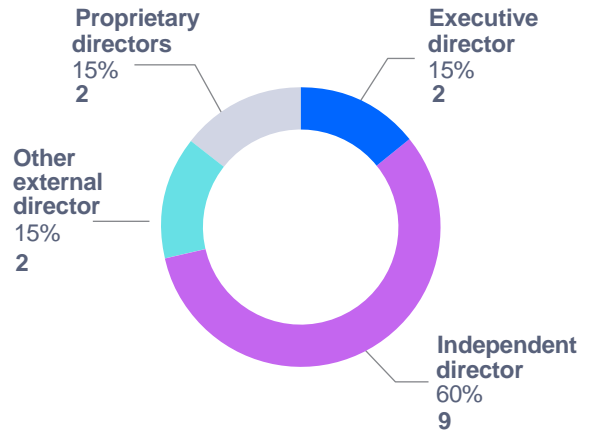
Our 15-member board has a diverse skillset and backgrounds.

- 

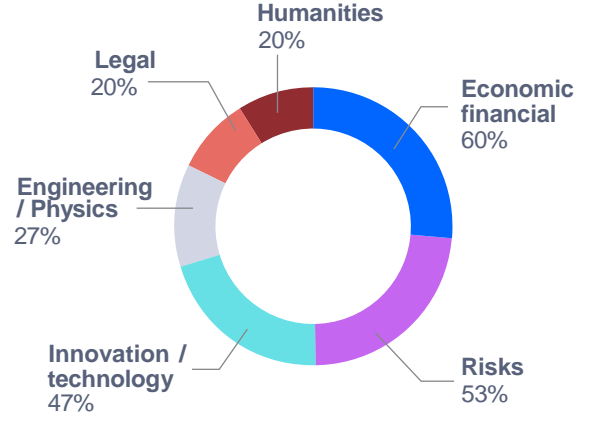
15 Members
Reduction from 17 to 15 (since December 15th 2021)
- 

33.33% Women
Compared to 18% in 2018
- 60% Independent**
- 8 New directors**
Since 2017
- 8.50 years Avg. Tenure**

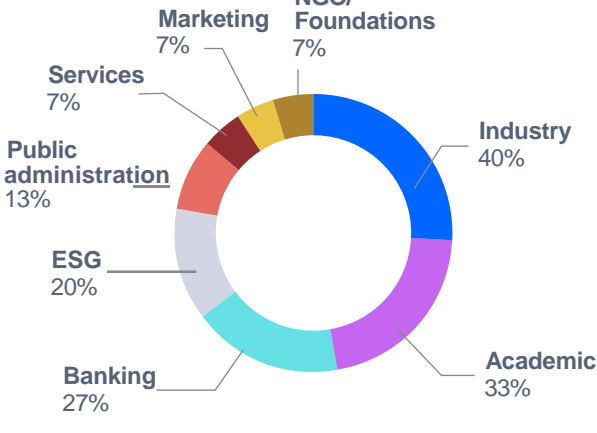
Board composition



% of Directors with the following knowledge and skills



% of Directors with professional experience in the following sectors



Spain



UK



Brazil



Austria

International diversity

→ Our board of directors

Telefónica is firmly committed to the ongoing improvement of its corporate governance framework, increasing, strengthening and consolidating best practices in this area.



José María Álvarez-Pallete López
Chairman & CEO – Telefónica
Committees: E (Chair)



Ángel Vilá Boix
Chief Operating Officer – Telefónica
Committees: E



José Javier Echenique Landiribar
Lead Independent Director & Vice Chairman
Committees: AC, E, NCCG (Chair)



José María Abril Pérez
Vice Chairman
Committees: E, SI



Isidro Fainé Casas
Vice Chairman
Committees: E



Juan Ignacio Cirac Sasturain
Director
Committees: RIA, SI, SQ



Peter Erskine
Director
Committees: E, NCCG, SI (Chair)




Carmen García de Andrés
Director
Committees: AC, RIA, SQ



María Luisa García Blanco
Director
Committees: NCCG, RIA, SQ (Chair)




Peter Löscher
Director
Committees: AC (Chair), E, NCCG




Verónica Pascual Boé
Director
Committees: SI




Francisco Javier de Paz Mancho
Director
Committees: E, NCCG, RIA (Chair), SQ



Francisco José Riberas Mera
Director
Committees: None



María Rotondo Urcola
Director
Committees: AC, SQ



Claudia Sender Ramírez
Director
Committees: SQ, S

Committee Key

AC = Audit and Control Committee
E = Executive Commission
NCCG = Nominating, Compensation and Corporate Governance Committee

RIA = Regulation and Institutional Affairs Committee
SI = Strategy and Innovation Committee
SQ = Sustainability and Quality Committee

→ Active Board oversight of our long-term strategy

The Board continuously analyses the main strategic issues facing Telefónica.



Board oversight of Strategy

- ✓ The Board is responsible for approving Telefónica's Strategic Business Plan
- ✓ The Strategy and Innovation Committee (SI) supports the Board in analysing Telefónica's global strategy policy
- ✓ The Board is informed monthly of the matters discussed by the SI, which includes the global strategic policy, and receives updates from management on strategic issues including among others:



Board oversight of Responsible Business Plan



→ Culture based on ethics

A culture of responsible business is ensured via robust policies, open training and the facilitation of reporting channels

Targets

Zero tolerance of corruption and bribery

100% employees trained in Business Principles

2021 performance

85% of employees on Responsible Business Principles & Human Rights

86% of employees trained in anti-corruption matters

0 confirmed cases of corruption or discrimination during 2021

Complaints Whistleblowing channel

955 complaints received and investigated -> 389 substantiated -> resulting in 152 terminations

Implementing a solid culture of ethics & compliance

Legal compliance & zero tolerance to corruption & bribery



Integrity is the basis for Telefónica's Compliance function

Fair Competition



Telefónica makes training on competition law available for all company areas

Top-down culture of ethics and compliance



Robust training on ethics



We have mandatory responsible business and human rights training and internal awareness campaigns

Whistle-blower channel



The anonymous complaints portal is for all employees and stakeholders, and ensures data confidentiality

Political neutrality



We take no political standpoint (*except views on matters affecting Telefónica*)
We are registered in the EU's & Spain's voluntary transparency registers

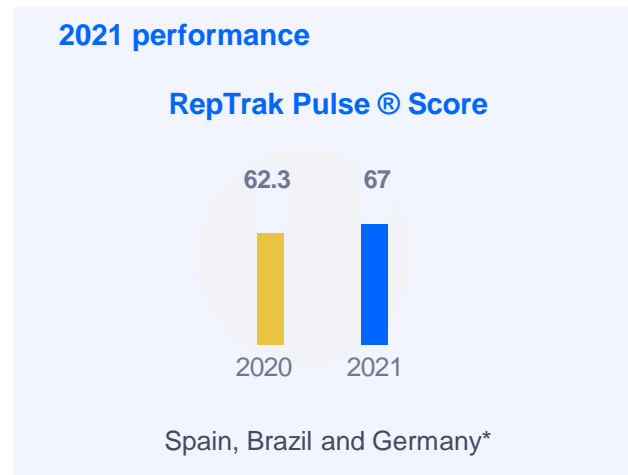
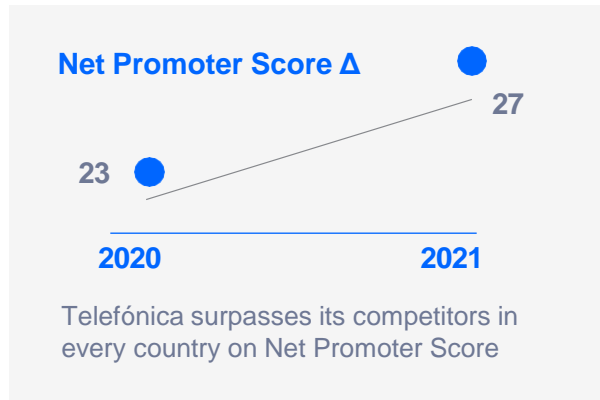


Telefónica's Responsible Business Principles

1. Ethical and responsible management
2. Corporate governance and internal control
3. Respect for and promotion of Human Rights and Digital Rights
4. Our commitment to the environment
5. Innovation, development and responsible use of technology
6. Responsible communication
7. Our commitment to our customers
8. Our commitment to our employees
9. Our commitment to the societies in which we operate
10. Responsible supply chain management

→ Relationship with customers



We aim to build a long-term relationship of trust with our customers



Telefónica's customer promise



Initiatives 2021

-  Implementation of a new framework: Customer Health Score, to evaluate customer satisfaction in Spain, which pursues excellence in our new products and services
-  Vivo customer experience programme awarded at the Customer Centricity World Series Awards 2021

→ Data privacy

We prioritize data privacy and empower our customers to have access to and control their personal data

Targets

- To protect our customers' data with the highest privacy and security standards
- Attain a leading position in Ranking Digital Rights benchmark

2021 performance



**RANKING
DIGITAL
RIGHTS**

Sector Leader in
Ranking Digital Rights



81,460 hours of training in data protection and cybersecurity



66 internal audits (data protection & cybersecurity) conducted in 2021



0 fines for data protection issues as a result of a security breach or incident affecting personal data

PRIVACY PILLARS



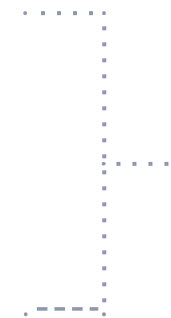
Protection



Transparency



Empowerment



- Public positioning: Telefónica's Digital Deal
- Annual telecommunication transparency report
- Collaboration with international organizations:



IGF Internet
Governance
Forum



Telefónica's main lines of action:

- ✓ Privacy by design
- ✓ Ethical AI principles
- ✓ Transparency initiatives
- ✓ Customer empowerment
- ✓ Consultation and complaint mechanisms



Transparency Centres

We have web portals in all our markets so customers can **access information free** of charge on privacy or security matters

→ Security & cyber-security

Our mission is to make security more human and build trust and confidence. We do this within the company for our customers with our cyber security services

Targets

To protect its assets, interests and strategic objectives

Avoid potential threats that could damage our value, affect the confidentiality of data and information and/or affect its operability and availability

2021 performance

- ✓ **67,880** attendees on training courses in data protection and cybersecurity
- ✓ Detection & response: 19 (CSIRT) Network of Incident Response Centers
- ✓ **1** Severe security incidence with impact on customers

Internal security management

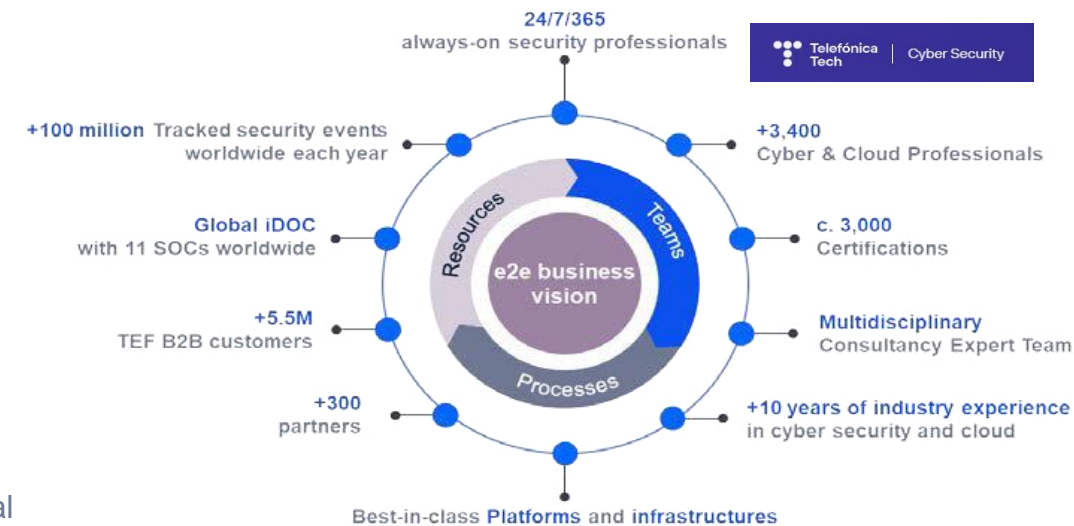
To focus on prevention, detection and appropriate response in order to reduce attacks and protect digital services across the Group

- ✓ Physical and operational security (networks)
- ✓ Digital security
- ✓ Business continuity
- ✓ Fraud prevention
- ✓ Our security systems follow international standards such as ISO 27001 and NIST



Cybersecurity provider

Telefónica Tech has developed best-in-class E2E capabilities in Cybersecurity and Cloud



- ✓ Collaboration with international organizations (EUROPOL, INCIBE, ECSO, CTA,..)
- ✓ +1,500 security professionals
- ✓ +70,000 customers (security)

→ Managing a responsible supply chain

We cooperate closely with our suppliers on ESG issues and see them as partners in our common journey towards a more sustainable economy

Telefónica's supply chain approach is based on two pillars:

1. Risk management

2. Engagement

Supply chain target

Evaluate **100%** of critical providers in sustainability by 2024

2021 performance



In 2021, **71%** of risk suppliers were assessed in sustainability.

Sourcing locally



81% of purchases are awarded locally

Conflict Minerals



94% of the assessed suppliers have a policy on conflict minerals

RISK MANAGEMENT



STEP 1

All suppliers must accept our minimum standards.



STEP 2

Identification of high-risk suppliers.



STEP 3

Performance assessment of our high-risk suppliers.



STEP 4

Audits (administrative or on-site) of high-risk suppliers.

100% of our suppliers must accepted the minimum standards

810 suppliers with potentially high risk

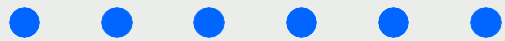
71% of risk suppliers have been evaluated on sustainability aspects

17,960 administrative or on-site audits and 610 suppliers with improvement plans

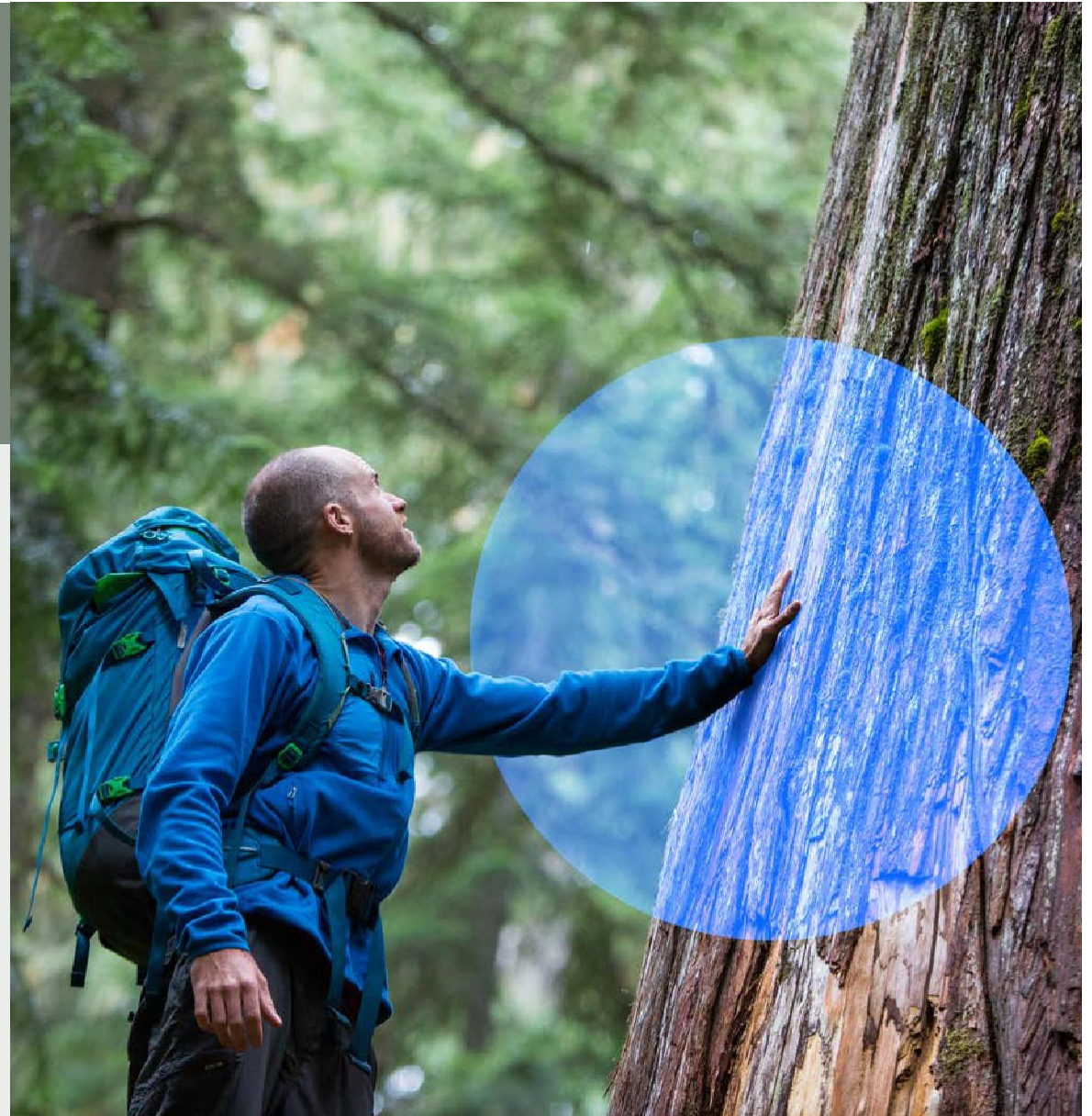
Engagement

Every stage of our sustainable management model is accompanied with training and engagement with our suppliers: this enables us to raise awareness and promote capabilities to improve the sustainability of the supply chain.

Our contribution & impact



Telefónica monitors and quantifies its social and environmental impact. Quantification and constant alignment are critical for progress.



→ Our impact on communities



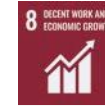
- ✓ We allocate more than **5.8 billion euros** to network deployment
- ✓ We have a 4G coverage of **84%**
- ✓ Our contribution to R&D amounts to **835 million euros**. We have an industrial property rights portfolio with **421 patents**
- ✓ We connect more than **4,000** communities in remote areas with our “Internet for All” programme
- ✓ Over the last **10 years**, Telefónica's Open Innovation area has invested more than **€190m** in **1,032 start-ups** around the world, around 500 of which are currently part of our portfolio.
- ✓ **20% of 5G rural** coverage in Spain



ProFuturo
Transforming education*.

CONNECT A EMPLEO
On-site and online training. Employment launchpads*.

- ✓ Since 2016 more than **19 million** children in 40 countries have benefited from the ProFuturo programme
- ✓ **Almost 800,000 people** benefited from digital skills training



- ✓ We contribute **48,904 million**, equivalent to **€2.2 per €1** of gross operating margin, to GDP in the main countries where we operate
- ✓ Our **tax contribution** amounted to **€9.13 billion**
- ✓ We generate **10.4 jobs** for every person we hire in the countries where we operate
- ✓ **Total impact on** employment of the Telefónica Group of over **1.2 million jobs**
- ✓ We award more than **81%** of our purchase volume to local suppliers



- ✓ **38%** of women in our workforce
- ✓ **29.5%** of managers are women
- ✓ **1.2%** adjusted pay gap



- ✓ In 2021 the World Benchmarking Alliance recognised us as the **world's most influential company** in the ICT sector and we were the **global top telco** in Ranking Digital Rights



- ✓ **90% LTE** penetration in the customer base
- ✓ **25,833** of fixed broadband subscribers



- ✓ **100% of our electricity** consumption in our own facilities comes from **renewable sources** in Europe, Brazil and Peru (**79.4% at global level**)
- ✓ **98%** of **recycled** waste
- ✓ Our **energy consumption + self generation** since 2015 has decreased by 7.2%, while data

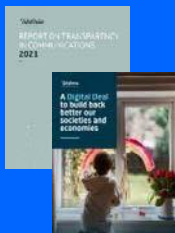
- traffic over our networks** has increased by more than **6.7x over**
- ✓ **Emissions** avoided in 2021 due to efficiencies generated by our products and services at customers exceeded **8.7 million** metric tonnes of CO₂. This is equivalent to the carbon absorbed by planting a forest of **143 million trees**.

4th most admired telecommunication operator in the world and 2nd in Europe

Fortune 500



For more details on our sustainability strategy and the various initiatives that support our strategy, please refer to our 2021 Integrated Report



For more details on our Human Rights and commitments to privacy and digital freedom, please refer to our 2021 Transparency Report and Telefónica Digital Deal



S&P - DJSI 2021 (Nov-21)
Member DJSI Europe, 86/100 (+7pts YoY)



FTSE4Good
4.3 out of 5



Carbon Disclosure Leadership
A



CDP Supply-Chain
A



MSCI Global Sustainability Index (Dec-21)
ESG Rating A



Ranking Digital Rights 2021
1st in Telecommunications Sector



Sustainalytics 2021
17.0 (N.B. the lower the better)



Bloomberg Gender-Equality index
Included



Digital Inclusion Benchmark 2021
1st Worldwide company

FT Diversity Leaders 2021
Included



Moody's Vigeo Eiris (Oct-21)
67/100 (+4 pts YoY; 3rd in sector)



Telefónica