

Chairman's Letter



→ 2021 was a year marked by the evolution of the pandemic, with new waves and vaccination campaigns as we moved towards a global recovery. The pandemic has brought digitalisation forward by several years, confirming its importance in the path to energy transition and social development. The need to deploy inclusive connectivity, within the reach of everyone, has become a priority for speeding up the reactivation of the economy based on a new, longer-term model of growth. The advance in ESG regulations including the implementation of the first stage of the EU's taxonomy for sustainable activities, confirm this new economic paradigm.

As such, Telefónica's commitment to embedding ESG within its strategy over the past two decades, and our commitment to the principles of the Global Compact and Sustainable Development Goals in building a greener future, helping society thrive and being an exemplary company, are especially relevant.

In 2021, we laid the foundations to build a more inclusive, resilient, and greener future, taking full advantage of fibre and 5G. I would like to highlight the expansion of 5G coverage - which already reaches over 80% of the population in Spain, the creation of FiBrasil, the joint venture with Allianz in Germany, and the operations with KKR in Colombia and Chile to speed up the fibre roll-out. Going forward, we have made the commitment to reach broadband coverage of 90%-97% of the population by 2024 (excluding the UK), strengthening our commitment to the development of rural areas.

The digital ecosystem we are developing - with health, security, financial and educational services, supporting our communities in these times of uncertainty as habits become ever more digital - is also noteworthy. In addition, the strengthening of our cybersecurity, cloud and big data services will allow Telefónica Tech to continue to deliver double-digit growth in revenues, while helping the business community to transform digitally and thus become more efficient and sustainable. In 2021, thanks to our services, Telefónica's business customers avoided the emission of 8.7 million tonnes of CO₂ (equivalent to the carbon absorbed by 143 million trees).

All this went hand-in-hand with an increased focus to reduce our environmental footprint towards becoming Net Zero. Specifically, since 2015, we have reduced our consumption of energy - 100% renewable in our main markets - by 86% per unit of traffic, which has allowed us to reduce our emissions by 70%. We continue to progress towards becoming a Zero Waste company by 2030, with recycling, more eco-design products and services, circularity criteria for our suppliers, and initiatives such as the Eco Rating seal.

Telefónica has also continued to contribute to social development: we generated almost €49 billion in terms of Gross Domestic Product (GDP) in our main markets, we made a tax contribution of over €9 billion, and generated more than 1.2 million jobs (direct, indirect and induced), in other words, we have created 10.4 positions for every contract we make. This is all thanks to the progress we have made extending connectivity and fostering the digital skills of users. These efforts have led us to being recognized as world leaders in the Digital Inclusion Benchmark by the World Benchmarking Alliance.

The triad digitalisation, social development and respect for the environment is synonymous with recovery. With this in mind, our aim is to surpass €10 billion of sustainable financing in the coming years, after closing 2021 with a volume of €4.1 billion in bonds and loans.

Such advances are based on best practices in governance that make us an exemplary company. A good example is the reduction in 2021 of the number of Board members to 15, with 9 independent members and 33% women, taking us further towards our objective of gender parity at the highest governing bodies of the Company by 2030.

The triad digitalisation, social development and respect for the environment is synonymous with recovery. With this in mind, our aim is to surpass €10 billion of sustainable financing in the coming years.

Our strategy is supported by a team that is committed, prepared and diverse. Our Employee Net Promoter Score is 67%¹, up from 65% in 2020, and 65% of employees have invested in new skills. Our commitment is to continue increasing the presence of women in executive posts, to reach at 33% in 2024, and to eliminate the gender pay gap.

We also have our customers' trust: their satisfaction, according to the Net Promoter Score (NPS), improved by 4 percentage points on the previous year (total score of 27¹, rising to 55 among our business customers). The measures and services that we have provided and developed during the pandemic have led to a marked increase in our reputational scores, as reflected in the RepTrak Pulse®, which increased by almost 5 points year over year. We will continue to work to strengthen this relationship, offering the best connectivity and user experience, and prioritizing the security of our networks, privacy, and data ethics, as well as equality in access to technology.

Looking to the future, we are more than prepared to make the most of the opportunities that arise from this new more sustainable paradigm, which has established digitalisation, and therefore Telefónica, as a driving force of progress.



José María Álvarez-Pallete
Chairman of Telefónica

[1] The figure for 2021 excludes the UK but includes Latin America.