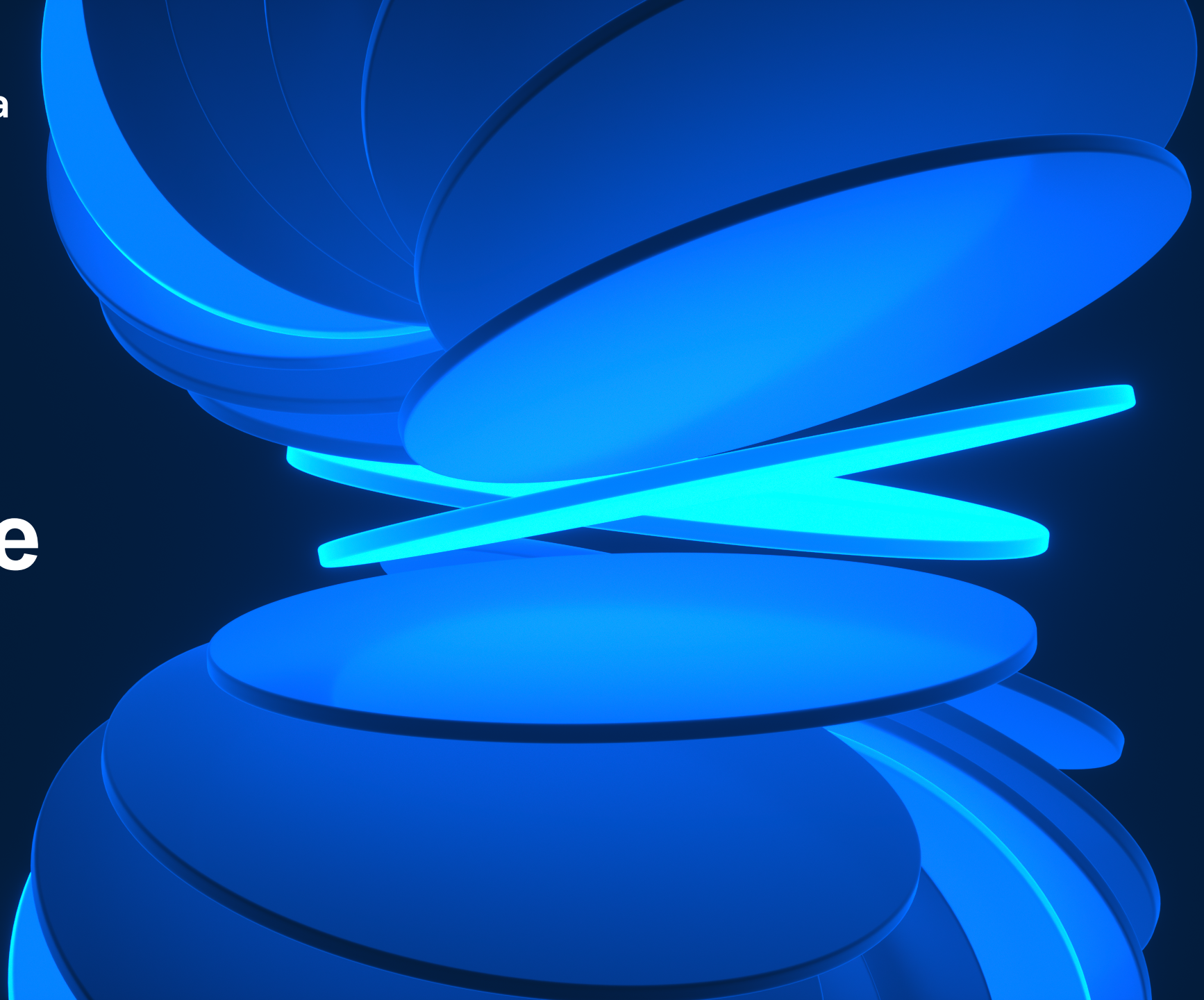
Telefónica

ESG Profile



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Introduction: ESG at Telefónica

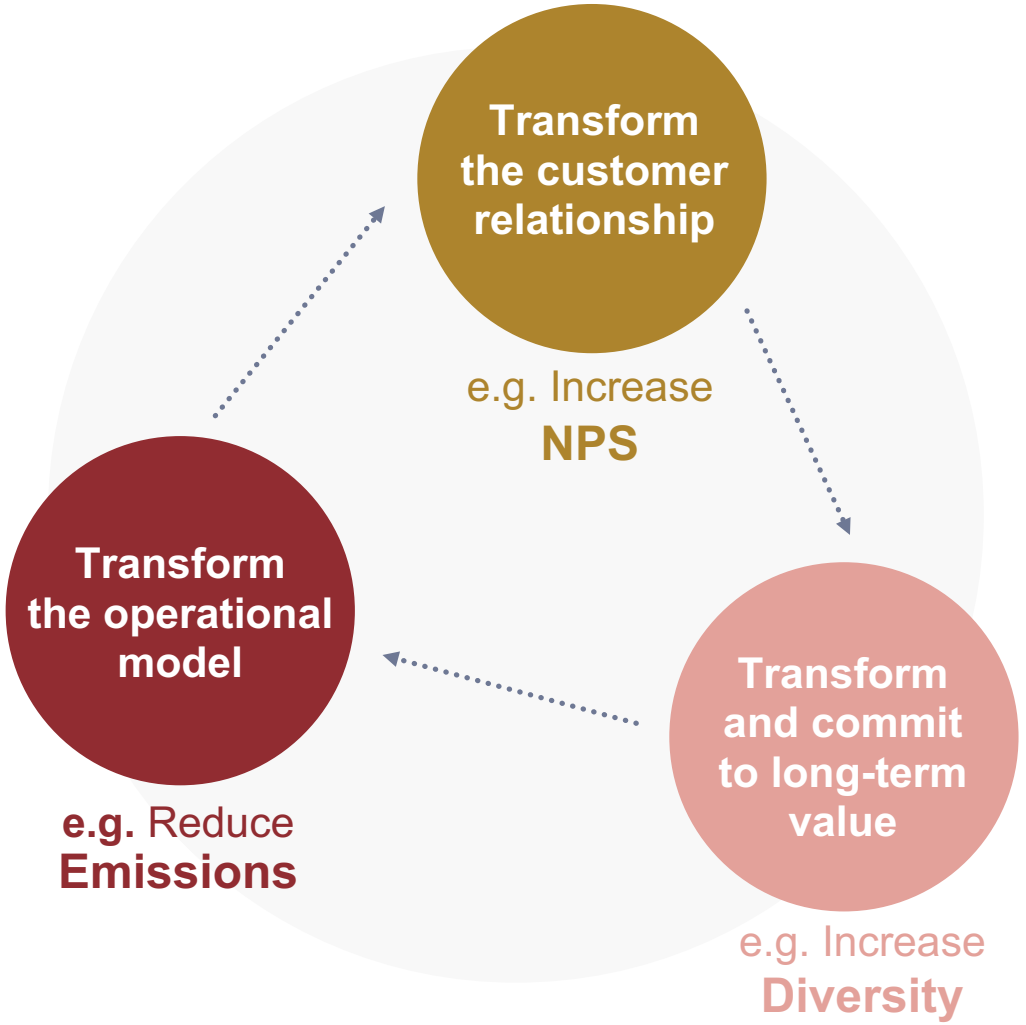
Telefónica

Telefónica's approach to ESG factors

ESG at the core of our strategy	• Mission and corporate strategy place sustainability at the core. • ESG targets linked to employees' annual variable remuneration (20%).
Long-standing commitment	• Board committee dedicated to sustainability issues since 2002. • Industry's 1st issuer of green bonds and hybrids (green & sustainable).
Clear pathway ahead	• Clear ESG priorities with firm targets.
Anticipating regulation	• #1 comprehensive Annual Sustainability Report aligned with CSRD. • Facilitating investors' reporting disclosure requirements (e.g., SDG Impact report).
3rd party validations	• 11th consecutive year on the CDP Climate A List and Supplier Engagement Leader for 5th year. • Sector leader in the WBA Social Benchmark. • Industry Leader in Sustainalytics.

ESG embedded within our business

Mission	To make our world more human by connecting people's lives
Vision	Responsible digitalisation is a competitive advantage
Strategy	Focus on ESG levers which add value to the business

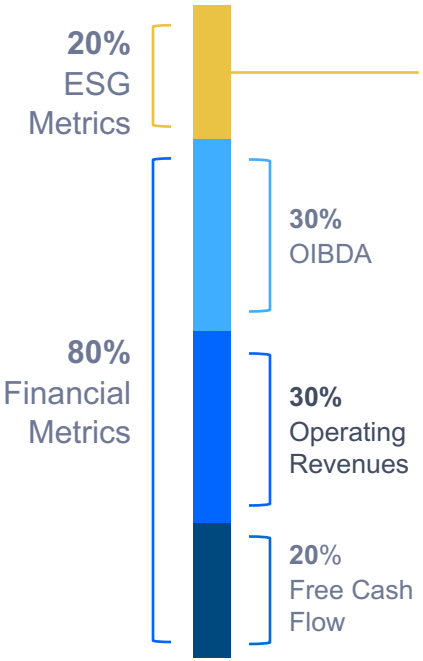


ESG targets linked to remuneration

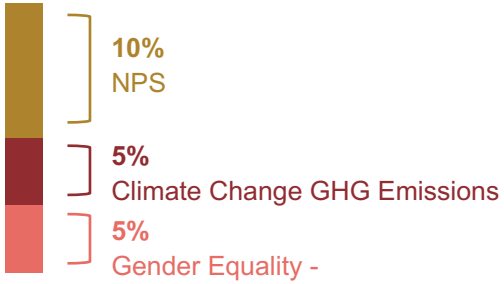
Our effort to transform the company with an ESG lens is reflected in our remuneration structure

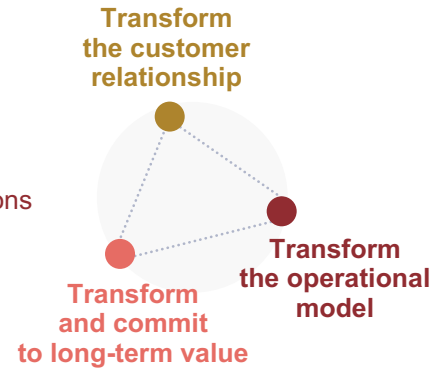
For all employees receiving bonus

Annual variable remuneration



ESG remuneration for employees





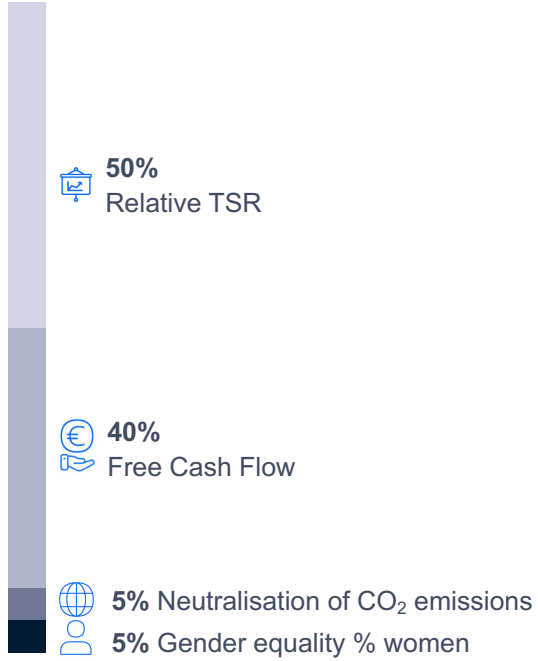
2024 ESG commitments achieved

Results 2024

- 33 NPS
- Reduction Scope 1+2 emissions (tCO_2e)
- 34% women in executive positions

For executives

Long-term Incentive (2021-2026)[1]



(1) A 2024-2028 Long-Term Incentive Plan proposal is expected to be put forward at the forthcoming 2024 General Shareholders' Meeting.

Responsible business part of our 100 year history

1924 Telefónica is born

1928 Women in the workplace

1969 ATAM created, to support employees & their families with disabilities

1998 Fundación Telefónica is born

2002 1st Sustainability Report

2006 Responsible Business Principles

2010 1st Global Workshop on Energy and Climate Change

2019 1st telco to issue green bonds

2019 ESG in employees´ remuneration

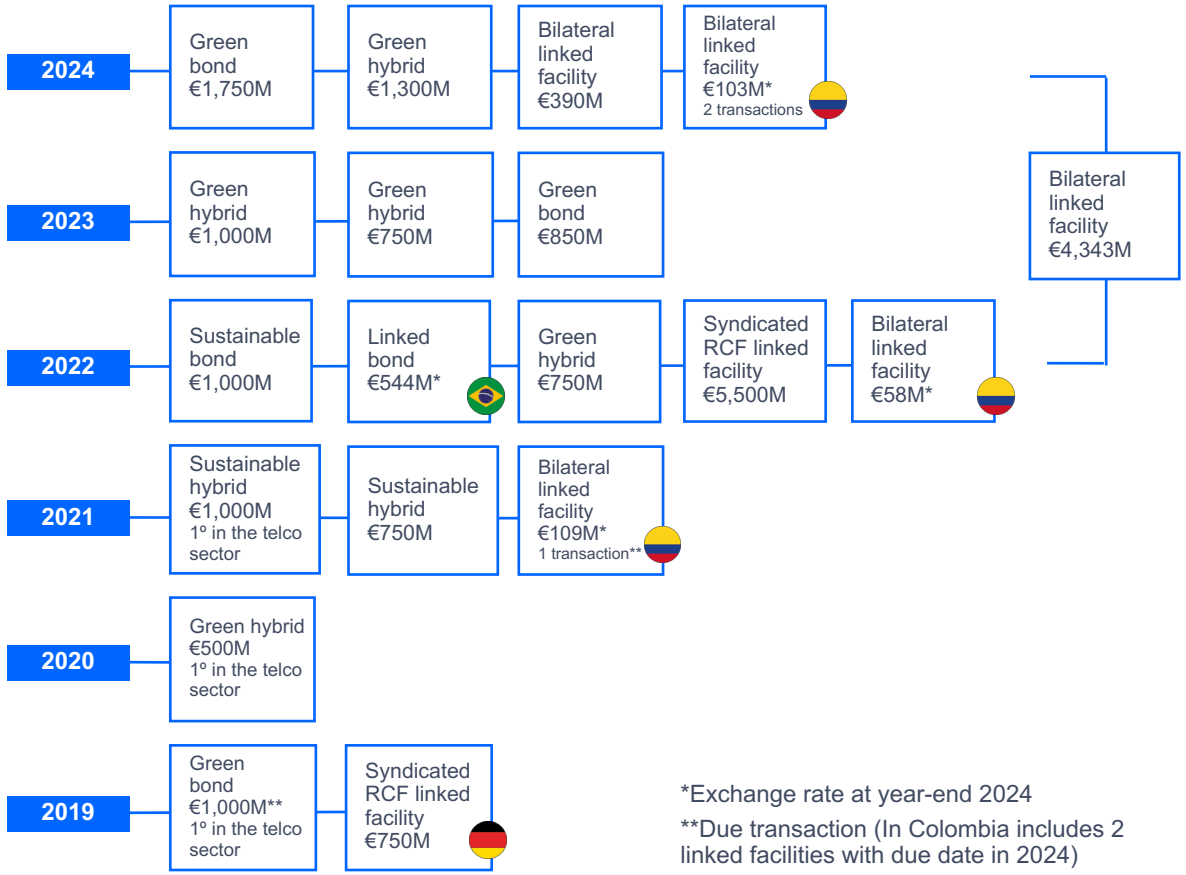
2024 11 years in a row on CDP Climate A List

Telefónica is a pioneer in sustainable financing

Long-standing commitment to ESG

Objective: ~40% of Telefónica's financing to be linked to sustainability criteria by 2026 (>37% at YE2024).

Debt Issuances 2019- 2024



*Exchange rate at year-end 2024

**Due transaction (In Colombia includes 2 linked facilities with due date in 2024)

Use and impacts of proceeds

Environment

+505,000 tCO_2 avoided

+2,490 GWh of energy saved

Society

+7,200 municipalities benefited

+13 million average number of users benefited

Exchange rate at year-end 2024.
Sustainable financing includes balance-sheet debt (classified as current and non-current financial liabilities), hybrids instruments and undrawn committed credit lines. Sustainable criteria defined on Telefónica's sustainable financing frameworks according to ICMA, LMA, APLMA, LSTA principles, and other ESG criteria.Not necessarily aligned with the requirements of the EU Taxonomy Regulation.

Cumulative impacts of the financing included in Telefónica's Green Financing Instruments Report 2024 and previous bond issuances whose allocation report has already been published: Green bond (Feb-19), Green hybrid (Feb-20), Sustainable hybrid (Feb-21), Sustainable hybrid (Nov-21), Sustainable hybrid (May-22), and Telefónica's Green Financing Instrument Report 2023.

Telefónica's ESG priorities aligned with SDGs

Building a greener future

- Minimise our environmental impact, including achieving net-zero emissions, 100% renewables and zero waste.
- Maximise our reach in providing products and services that decarbonise the economy.

Helping society thrive

- Transform the customer relationship with new offerings and opportunities through an ESG lens.
- Reduce the digital divide by connecting communities and transferring digital skills.
- Ensure an inclusive and safe workplace to attract and retain the best talent.

Leading by example

- Embed ESG across the business and our supply chain, with the topmost ethical standards.
- Ensure the security and privacy of customer data with the highest standards and processes.

Environment: Key targets & progress

Clear pathway ahead

	Targets		2023*	2024	Highlights
ENERGY & CLIMATE CHANGE					
Net Zero by 2040* (SBTi validated)	**Scopes 1 & 2** % emissions reduced since 2015	**90% reduction** by 2030	81%	**84.8%** ✓	• We reduced scopes 1, 2 & 3 emissions by 52.1% in the last 9 years. • Main levers to achieve these targets: ◦ 8% reduction on energy consumption since 2015, while data traffic has increased 9x. ◦ In 2024, 100% renewable in Europe, Brazil, Peru & Chile. • 7.7 million tCO_2e avoided by renewable use since 2015.
	Scope 3 % emissions reduced since 2016	**56% reduction** by 2030	31%	**31.3%** ✓	
	Renewable electricity % in own facilities	**100% renewables** by 2030	84%	**89%** ✓	
GREEN DIGITALISATION					
Development of green digital solutions	**Eco Smart services**	Continuing developing green digital solutions	52%	**57%**	• 57% of our B2B solutions have been verified as Eco Smart. • In 2024, we helped our customers in Spain, Germany and Brazil avoid 17.4 $MtCO_2e$ thanks to connectivity and Eco Smart services.
CIRCULAR ECONOMY					
Zero waste by 2030	**Customer Premise Equipment** Routers, decoders	**90% refurbished** by 2024	88%	**91%** ★	• >4 million routers and set-top boxes reused, achieving the expected result 90% of customer premise equipment (CPE) refurbished.
	Network equipment	**≥300k network equipment reused**	313,805	**533,818** ★	• Network equipment reuse among the group's operators has increased in 2024 (overall, +70% compared to 2023).
	Waste management Zero waste to landfill by 2030	**100% of waste reused and recycled** by 2030	94%	**95%**	• 95% waste reused and recycled, including 5M items of electronic equipment reused. • New categories of non-hazardous waste incorporated into the scope of reporting thanks to increased traceability of waste data generated (incl. data for 2023 adjusted to the new scope).

✓ In progress to achieve climate related targets ★ Target achieved

*Data reported on Annual Report 2023.

** Net-Zero SBTi validated and Renewable electricity target embedded in RE100

Social: Key targets & progress

Clear pathway ahead

	Targets		2023*	2024	Highlights
CUSTOMERS					
Customer Satisfaction	Level of customer satisfaction as measured by NPS (Net Promoter Score)	Increase NPS each year	31p ★	33p ★	• NPS reached 33 points in 2024, marking an improvement of 14 points vs. 2017.
DIGITAL INCLUSION					
Digital inclusion	Rural connectivity % mobile broadband (>4G)	>90% in main markets by 2024	82-99%	**84-100%**	• 4G Coverage 91% globally. 92% with UK. • 5G Coverage: Brazil 61%, Germany 97%, Spain 91%, UK 75%. • Rural 4G: 84% Brazil, 99% Germany, 95% Spain and 99.6% UK.
	Digital skills Number of beneficiaries	At least 1M beneficiaries annually	1,251,354	**1,166,072**	• Employability training in digital skills through Telefónica Fundación programmes, e.g.“Conecta Empleo”.
HUMAN CAPITAL					
Employee satisfaction	**eNPS** Employee satisfaction	**70 points** annually	76p ★	**75p** ★	• 16.6 point improvement in 5 years (58.4 in 2019). • Updated target to 70p (previously 60p).
Diversity & inclusion	**Women executives** % women executives	**37%** by 2027	32.8%	**34%**	• 14.9% improvement in 9 years (19.1% in 2015). • Updated target to 37% by 2027 (previously 33% by 2024).
HUMAN RIGHTS					
Human rights	Evaluation of 100% of our operations		100%	**100%**	• Pioneers in publishing a report on the Due Diligence process to take into account the new regulatory requirements.

★ Target achieved

Governance: Key targets & progress

Clear pathway ahead

Targets		2023*	2024	Highlights
ESG CULTURE				
Sustainable supply chain policy within procurement model	**All suppliers**	100%	**100%**	• 8,440 suppliers in 2024. • 20,898 sustainability related administrative or on-site audits in 2024.
PRIVACY & SECURITY				
Data Privacy Position in Ranking digital rights	**Lead the industry in digital rights**	1st	**1st**	• Telefónica has held the 1st position in the last three editions of the Ranking Digital Rights's index.
Data Security Data Breaches involving personal identifiable information	**Highest levels of security**	0	**0**	• Further information in our Global Transparency Center
SUSTAINABLE FINANCE				
Raise sustainable finance % total financing linked to sustainable criteria	**~40% sustainable finance**(1) by 2026	33.6%	**37.4%**	• 3.8 p.p. increase of financing linked to sustainability criteria vs. 2023.

*Data reported on Annual Report 2023.

(1) Sustainable financing includes balance-sheet debt (classified as current and non-current financial liabilities), hybrids instruments and undrawn committed credit lines

Anticipating investors' EU regulatory needs

Well prepared for upcoming regulation

We map our **sustainability performance against investor requirements** under the EU's Sustainable Finance Action Plan, demonstrating how **Telefónica** can match investors' needs in complying with **Art. 8 & 9 SFDR fund requirements.**

1 Taxonomy, Eligibility & Alignment

- In FY 2024, we reported on further activities in Taxonomy eligibility and Taxonomy alignment.
- As a result, the level of alignment has increased (Revenues 3.1%, Capex 7.4%)
- Alignment implies compliance with Social Minimum Safeguards & Do-Not-Significant-Harm.
- Participation in sector initiatives to highlight the importance of including telco networks as a new activity in the EU Taxonomy. Connect Europe together with GSMA, Nokia, Ericsson and ECTA published a sectoral Position Paper in Nov-24.

2 Going beyond with positive impact

We are well suited to meet the Art. 8 & 9 funds' criteria:

- Our Business, and Environmental & Social practices, lead to substantial net-positive SDG impacts (quantified at >€100bn p.a since 2019)(1).
- Telefónica consistently achieves scores above industry averages in ESG ratings.

3 Ahead of the regulatory curve

Telefónica has consistently been one step ahead of regulatory requirements:

- Double materiality analysis since 2021.
- Currently analysing the implications of EU Draft Omnibus proposal
- Due Diligence process implemented in all our operations.

(1) Please see further information in Annex I and Telefónica's Impact Report (link to website)

The double materiality analysis process 2024

Well prepared for upcoming regulation

Inputs

Value chain: definition of the stages of the TEF value chain, the activities in each of them, the agents involved and the main geographies.

Affected stakeholders: integration of the expectations of the different stakeholders and users of TEF information.

01 Context analysis

Based on the list of issues considered in the CSRD, an **exhaustive analysis of external and internal sources** has been carried out to determine the topics applicable to TEF, including sector-specific topics and excluding issues that are not applicable due to the Company's business model and value chain.

***Output**: list of potentially material topics and subtopics to be considered.*

02 Identification and assessment of IROs

Identification and assessment of IROs (**positive/ negative impacts, risks and opportunities**) together with the management areas for each of the topics considered potentially material. Details of the actors involved, the stage of the value chain, main geographies or stakeholders affected, among others.

***Output**: list of IROs identified and assessed.*

03 Consolidation of assessments

Digitalisation of the process by consolidating the IRO assessments in the double materiality tool. Setting of financial and impact **materiality thresholds** to determine material topics and significant IROs.

***Output**: material standards, subtopics and sub-sub-topics and their significant IROs.*

04 Results and validation of double materiality

The final materiality results are obtained, which make it possible to **determine TEF's disclosure requirements**. Following this, **validation** at the highest level and verification of the process by external auditors.

***Output:** verified and validated 2024 TEF double materiality analysis*

Note 1: The process applied to perform the double materiality analysis has been based on the guidelines set out in *Materiality Assessment Implementation Guidance 1* published by EFRAG. Available at the following link: https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/IG+1+Materiality+Assessment_final.pdf

(1) Please see further information in Annex VI.

CSRD Report Structure

Thematic and Material issues following Telefónica's double materiality analysis:

ESRS E1 - Climate Change

Climate change adaptation

Climate change mitigation

Energy

ESRS E5 - Resource use and circular economy

Resource inputs, including resource use

Resource outflows related to products and services (including waste)

ESRS S1 – Own workforce

Working conditions

- Secure employment
- Working time
- Adequate wages
- Social dialogue
- Freedom of association
- Collective bargaining
- Work-life balance
- Health and safety

Equal treatment and opportunities for all

- Training and skills development
- Gender equality and equal pay for work of equal value
- Diversity
- Measures against violence and harassment in the workplace

Other employment rights

- Privacy

ESRS S2 – Workers in the value chain

Working conditions

- Secure employment
- Working time
- Adequate wages
- Freedom of association
- Collective bargaining
- Work-life balance
- Health and safety

Other work-related rights

- Privacy

ESRS S4 – Consumers and end-users

Impacts related to information for consumers or end-users

- Privacy

Inclusion of consumers or end-users

- Access to products and services

ESRS G1 – Business conduct

Corporate culture

Political engagement and lobbying activities

Management of relationships with suppliers

Corruption and bribery

- Prevention and detection, including training
- Incidents

Network and data security[1]

- Cybersecurity
- Operational security

1. Topic included by Telefónica.

Our performance is validated by leading rankings

Ratings & Rankings

11th consecutive year	6th consecutive year	3rd consecutive year	3rd consecutive year	2nd consecutive year as top rated
CDP Climate A List 2024	Bloomberg Gender-Equality Index 2023	Ranking Digital Rights: 1st in telco sector	World Benchmarking Alliance: 1st in Digital Inclusion benchmark	Sustainalytics ESG Top Rated Industry: 15.4(1)
S&P Ratings: 84/100	MSCI: BBB	FTSE Russell: 4.6/5	ISS ESG: 71/B	WDI: 94% score

1st in telco sector

Ranked in Top 10 of Time Magazine's World's Most Sustainable Companies

Accountability & Transparency

Climate targets validated by SBTi

Science Based Targets — Driving Ambitious Corporate Climate Action

Reuters Sustainability Awards 2024

Time World's Best Companies 2024 (in partnership with statista)

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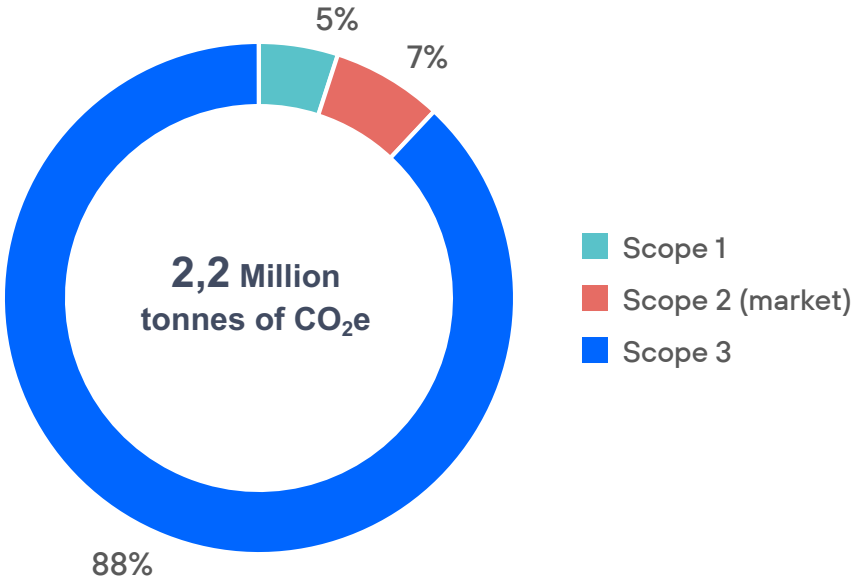
E: Building a greener future

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

- Energy and climate change
  - Telefónica decarbonisation roadmap
  - Energy
- Connectivity & digital solutions for a green transition
- Circular economy
- Biodiversity

Telefónica

Our Climate Impact: Telefónica's GHG Emissions



Scope 1	Greenhouse gases emitted **from sources owned or controlled directly**. Emissions are derived from two main sources: fuel consumption (fleet and operations) and fugitive emissions of fluorinated gases (e.g. refrigerant gases from cooling equipment).
Scope 2	These are **indirect emissions resulting from the generation of purchased energy**, such as electricity, steam, heating, or cooling consumed by the organisation.
Scope 3	Indirect emissions that occur in the organization's **value chain** but are not covered in Scope 2. These emissions include both **upstream** (i.e. suppliers) and **downstream** (i.e. customers) and are the largest and most challenging scope to measure and reduce because they involve emissions from activities not directly controlled by the company.

Decarbonisation Plan: Targets & progress so far

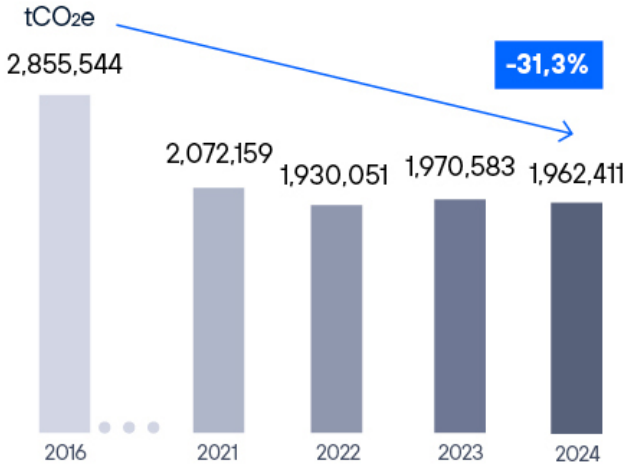
In order to reach our short and long-term climate targets, we implemented a Climate Action Plan that goes beyond the Paris Agreement and aims to limit the temperature increase to 1.5ºC above pre-industrial levels.

	Target	Target KPI	2024 Progress	Key messages
Operational emissions	**-90%**	**Scope 1 & 2 emissions reduction** by 2030 compared to 2015.	**-84.8%**	• Scope 1 emissions dropped by 57% compared to 2015. • Scope 2 emissions dropped by 90% compared to 2015.
Value chain emissions	**-56%**	**Scope 3 reduction emissions by 2030** compared to 2016.	**-31.3%**	• In 2024, Telefónica has further implemented supplier engagement initiatives to reduce its 65% of Scope 3 emissions stemming from the supply chain.(more info).
Neutralisation	**100%**	Offsetting of unabated Scope 1 & 2 emissions in key markets(1) by 2025.	**72%**	• 37,655 tCO_2e carbon credits cancelled in 2024 • 100% nature based projects (biogenic sinks). • 32% of credit portfolio comes from carbon removal projects • These actions help to mitigate climate change (BVCM) in a quantity equivalent to 72% of Scopes 1&2 emissions of Telefónica's key markets.

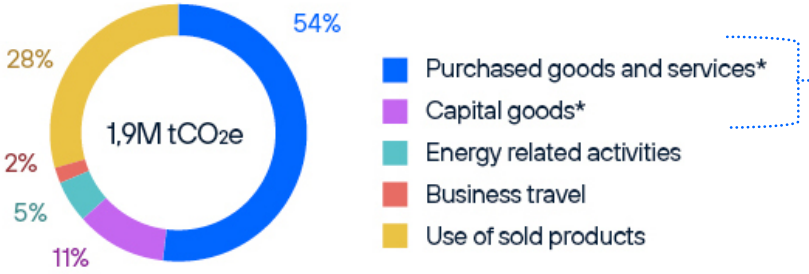
(1) Key markets mean operations in Germany, Brazil and Spain.

Decarbonisation Plan: Scope 3 Initiatives

Scope 3 emissions



Scope 3 categories emissions in 2024



Engagement initiatives with suppliers

Purchased goods and services & Capital Goods

% supply chain emissions

~50%

~90%

~100%

Priority group 1

Carbon Reduction Programme (CRP)

Collaboration in the sector with common suppliers. Life cycle analysis of carbon intensive P&S and action plan to reduce associated emissions at the P&S level.

Priority group 2

SBTi Requirement (Science Based Target initiative)

Requirement for key suppliers to establish and validate emissions reduction objectives through the SBTi initiative.

Priority group 3

SCDP Supply Chain Campaign and Supplier Engagement Programme (SEP)

Invitation to strategic suppliers to report on their climate change strategy/actions through CDP Supply Chain. Tool and maturity model is used to evaluate the suppliers' climate strategy based on information provided. Capacity-building and support is offered to improve suppliers' maturity levels based on a pledge model.

All suppliers

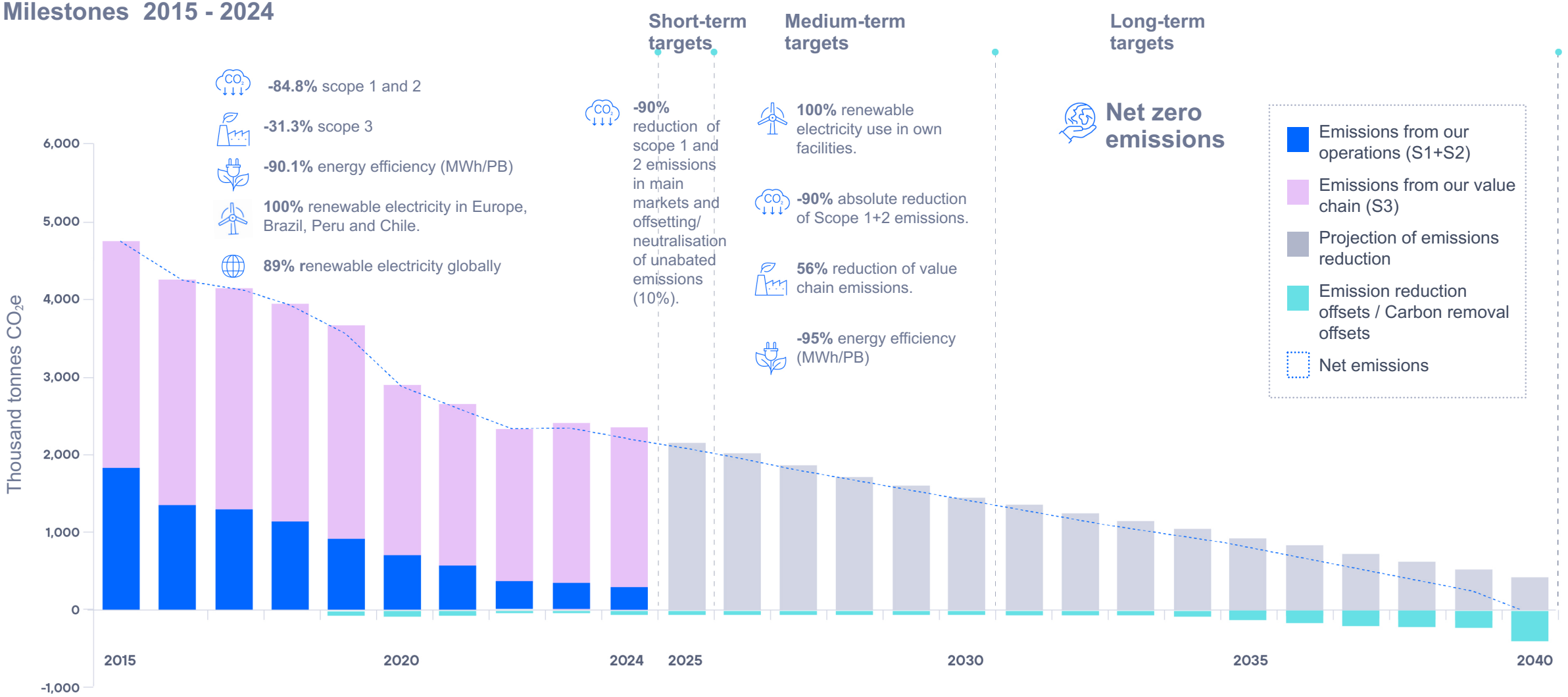
Sustainability in the Supply Chain Policy

Compliance with environmental criteria (reduction of emissions,etc.)

*65% came from purchases made the supply chain ('Category 1. Purchased goods and services' and 'Category 2. Capital goods'.)

Pathway to Net-zero by 2040

Milestones 2015 - 2024



- Carbon offsetting stands for offsets that represent avoided or reduced emissions. At Telefónica, we are using carbon credits to reduce emissions from deforestation and forest degradation, which ensure the protection and conservation of forests (REDD+)
- Carbon neutralisation stands for offsets that represent carbon removed from the atmosphere and permanently stored. At Telefónica, we are using carbon credits from natural solutions, such as afforestation, reforestation and restoration projects (ARR), which promote forestation and thereby absorb carbon.

Energy: Targets & Progress so far

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

		Target	Target KPI	2024 Progress	Key messages
Energy Efficiency		**95% (UPDATED)**	Reduction **in energy use per traffic unit** (MWh/PB) by 2030 vs 2015.	**90%**[1]	• 8% reduction on energy consumption since 2015, while data traffic has increased 9x[2] • All our operators have externally certified Environmental Management Systems (ISO 14001). Moreover, we maintain our Energy Management Systems (ISO 50001) certifications, for our operations in Spain, Germany, Chile and Brazil (two operational centres)..
Renewable Electricity		**100%**	**Electricity** from renewable sources in own facilities by 2030.	**89%**	• In 2024 we increased renewable electricity by 6% compared to previous year. • 22% of our renewable electricity consumption came from power purchase agreements (PPAs).

(1) Our total energy consumption was 6,059 GWh, of which 95% was electricity and 5% was fuel.

(2) In 2015 we had an energy consumption of 6,578 (GWh) and in 2024 we have reduced to 6,059 (GWh), even though we increased from 17,054 PB of traffic to 159,436 PB.

Connectivity & digital solutions for the Green Transition

We offer services that have the potential to generate environmental benefits by reducing the consumption of energy and water and the emission of CO_2 and boosting the circular economy. In this regard, our portfolio of Eco Smart services, verified by AENOR (an independent certifier), identifies those solutions that have the potential to make a positive contribution to the environment when used by our customers.

Eco Smart Services

57% of our B2B services in Argentina, Brazil, Chile, Colombia, Ecuador, Germany, Mexico, Peru, Spain, Telefónica Global Solutions (TGS), Telefónica Tech, Uruguay and Venezuela have been verified as **Eco Smart** by AENOR.

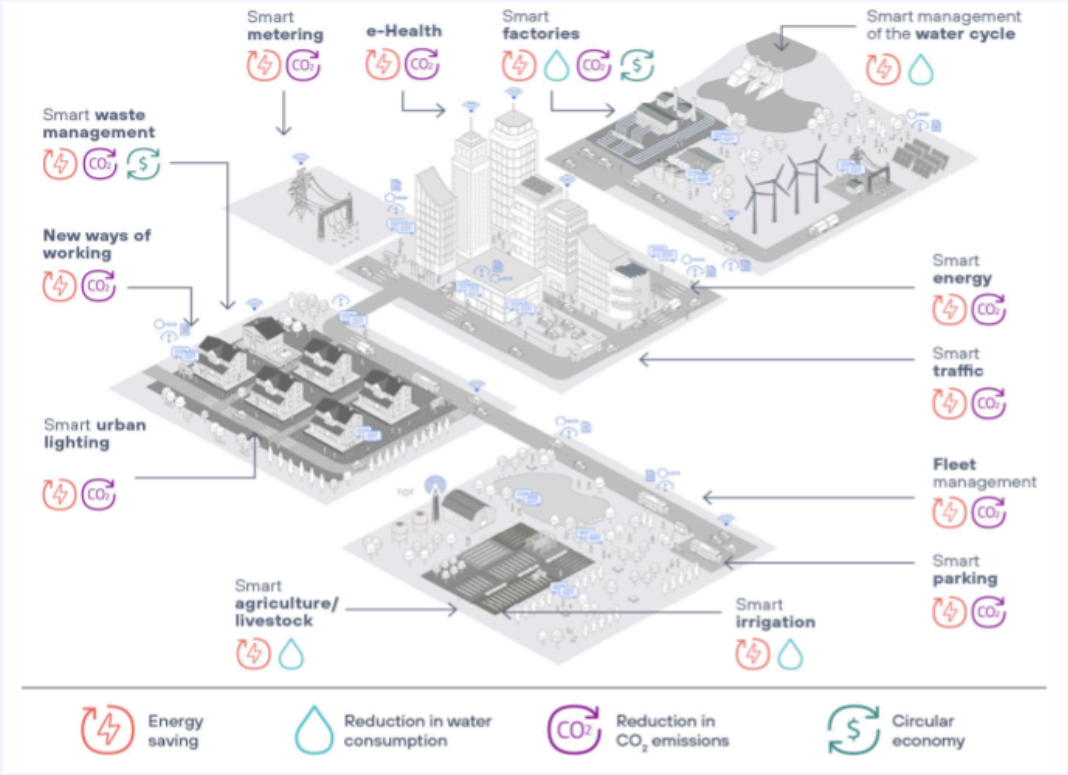
ECOSMART SERVICES

VERIFIED BY AENOR

Customers' emissions avoided through digitalisation

Thanks to the efficiencies generated by our connectivity and Eco Smart services, we helped our customers in Brazil, Germany and Spain avoid the emission of **17.4 $MtCO_2$*** in 2024.

Digital solutions for environmental challenges



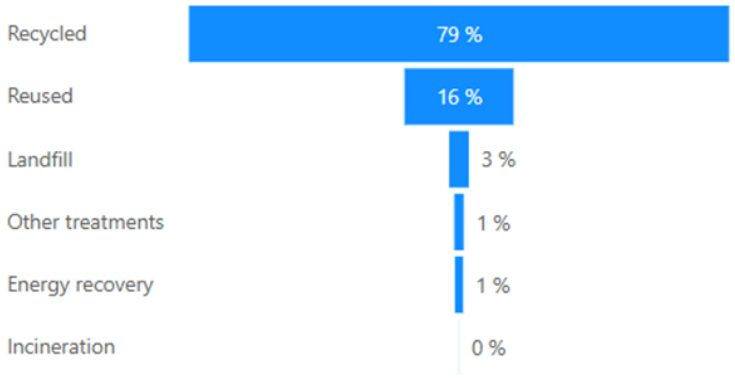
*The 2024 figure is not comparable with the figures reported in previous years as the guidelines in which the calculation model is based have changed, as well as the geographical scope and the solutions included in the calculations.

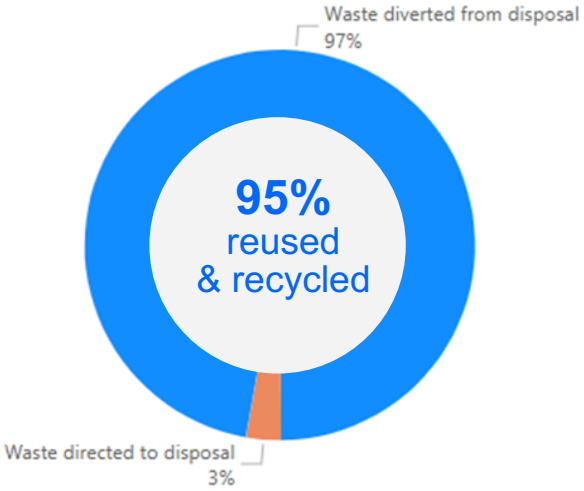
Promoting circularity: Waste & digital initiatives

Promoting the circular economy in the transformation of our network by prioritising the reuse of electronic equipment and, where this is not possible, extracting value from materials through recycling.

Total waste generated (%)

E.g.: Cables, electronic equipment (WEEE), batteries, C&D waste, paper and others.





Electronic equipment (%)

Only electronic equipment waste (WEEE)

	2024
Reused equipment	69%
Recycled equipment	30%
Equipment with other treatment and disposal	1%

Telefónica's digital initiatives to promote reuse & circular economy	
VICKY	Blockchain technology to increase traceability of customer premise equipment (modems, routers and TV set-top boxes).
APOLLO	Big data and analytics to optimise collection routes for uninstalled or inactive equipment.
MAIA	Marketplace to promote internal reuse of network equipment and when is not possible, facilitate equipment sales of secondhand network equipment.
MARA	Omnichannel model with an end-to-end approach that allows our customers evaluate mobile devices and access trade-in programs, technical support or repair services.
GRETEL	Platform to increase traceability in waste management and to identify opportunities to improve reuse and recycling rates.

Protecting and conserving biodiversity

Biodiversity

98%

of Telefónica´s facilities are located in habitats with low or very low biodiversity value.

Our fundamental aim is to manage all natural resources efficiently:

Identify and assess **nature-related dependencies, impacts, risks and opportunities** (direct operations & value chain) aligned with TNFD (Taskforce on Nature-related Financial Disclosures).

Apply mitigation hierarchy (avoid, mitigate, restore and offset) in relation to priority areas on biodiversity.

Identify potential environmental impacts of telecommunications networks prior to deployment through mandatory **environmental impact assessment** processes.

Use nature-based solutions for **offsetting** our unabated carbon emissions (nature co-benefits).

S: Helping society to thrive

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

- Human capital
  - Targets, progress and key information
  - Diversity & inclusion
- Digital inclusion
- Human rights
- Customer relationship
- Sustainable products & services
- Contribution and impact on society

Telefónica

Human Capital: Targets, Progress and Key information

	Target	Target KPI	2024 Progress	Key messages
Overall motivation	**70 annually**	Employee Net Promoter Score	**75** ★	• 16.6 point improvement in 5 years (58.4 in 2019).
Women executives	**37%**	% of women executives by 2027.	**34%** ★	• Programmes to accelerate female employee careers and attract female talent. • Commitment to gender equality recognised by Bloomberg Gender-Equality Index.
Health and safety	N.A.	Our health and safety strategy is aimed at ensuring a zero-accident work environment.	**0.51**	• The accident frequency rate decreased from 0.67 in 2023 to 0.51 in 2024. • The occupational health and safety management system helps reducing work-related incidents (97% employees covered in 2024).

Training

universitas #TheLearningCo

- Universitas: tailored training for all professionals. Special trainings aimed at executives and managers to foster leadership skills.

Additionally, we offer certifications in digital technologies issued by third parties linked to some trainings.

In 2024, our employees participated in 3,349,514 hours of training. Our training metrics include exclusively our employees (permanent, both full and part-time)

Recognitions as employer of choice

- **GPTW** Brazil
- Ranking **Merco Talento** Spain.
- **25 Top Companies on LinkedIn** (Spain, 2023)

Great Place To Work. Certificada 2023 BRASIL

mT mercoTALENTO

LinkedIn TOP COMPANIES 2023 España

Non-pay Benefits

- Universal Health insurance (covering disabilities, mental, reproductive health...)
- Life insurance
- Pension Fund
- Shares purchase and discounts programs
- Childcare assistance
- Nursery Services, Food assistance and more...
- **For all permanent employees** (variations between countries)

★ Target achieved

Human Capital: Frequently Asked Questions

M&A and its impact on the workforce

- No major merger & acquisitions affecting large proportion of staff in 2024.
- No layoffs of >1k employees triggered by M&A in 2024.
- Only businesses with small or medium sized workforce have been acquired (particularly by T-Tech).

Collective bargaining

- 71% of our employees are covered by collective bargaining agreements.
- Dialogue with workers' representatives is open, continuous and takes place every year.
- Collective agreements are negotiated at the end of their term and there are extensions and renewals expected in 2025, always within a framework of negotiation with workers' representatives.

ESOP Plan (employee stock ownership plan)

- Plan 100 (incentivised global share purchase plan launched in 2022), culminated in 2024. It was aimed at all employees of the Group, without exception.
- For every share bought under this plan, until the end of 2024, Telefónica rewarded the buyer with another share. In addition, each employee who took part in the plan, received 100 additional shares for free.
- Global share purchase plans are still available for managers and executives.

Turnover & restructuring

- **16% turnover rate in 2024** (including voluntary, mandated and unspecified).
- **Redundancies** have been carried out in some countries to adjust the size of the workforce to the needs of the business (Spain carried out redundancies in 2022 and 2024).
- Telefónica offers payments over and above applicable legislation.
- Outplacement service was run to help relocate employees who left the Company as a result of redundancy plans.

Human capital: Diversity & Inclusion

Female talent

Examples of Initiatives during 2024:

- Spain: "Female Talent Boost Programme".
- Hispam: Futura and Womentech leadership programmes.
- Brazil: Women in Leadership, Leaders Academy, Women in Technical Fields project.

People with disabilities

- Training & recruitment of candidates for tech roles with specialist partners.
- Ensuring workplace accessibility.
- Trainings and awareness campaigns.
- Commitments through The Valuable 500 initiative.

Ethnic and cultural diversity

Initiatives to raise awareness, attract talent and promote leadership from the global majority. Indicators and targets associated (UK & Brazil), including the ethnic pay gap (UK).

Promote development of employees with migrant background (Germany).

LGBT+

- Signatories of the UN Standards of Conduct for Business to protect the rights of LGBT+.
- Benefits for LGBT+ couples & parents that go beyond the legal requirements (Hispam).
- Development and wellbeing of transgender talent (transitioning toolkit, employability workshops) and commitments to attract talent in Brasil.

Age

Initiatives throughout the company to promote generational diversity (e.g., Talentum program to attract young talent in Spain and "50+" senior talent program in Brazil).

Digital inclusion: meaningful connectivity

Inclusive access

- **Connectivity**: Access to broadband communication networks.

85m premises passed by Fibre To The Home (FTTH)*

92% population has access to our 4G/LTE mobile coverage.*

84% Brazil
99% Germany
95% Spain
99.6% UK

population in rural areas has access to our 4G mobile coverage:

61% Brazil
97% Germany
91% Spain
75% UK

population with access to our 5G mobile coverage

- **Accessibility**: Digital services as a key tool for improving the lives of people with disabilities.
- **Affordability**: Contributing to Universal Service Funds and providing affordable tariffs.

*80M premises passed and 91% 4G coverage without UK.

Digital skills

Training in digital skills via Fundación Telefónica:

- Basic digital skills (e.g. Reconectados).
- Intermediate digital skills (e.g. Conecta Empleo).
- Employability and training in advanced digital skills (e.g. Campus 42).

1.16m

people have been trained in intermediate or higher digital skills training to improve employability.

PROGRAMA DE FORMACIÓN DIGITAL CONECTA EMPLEO

42 MADRID Fundación Telefónica

Innovation and relevant services

- Developing new solutions and innovative services that can improve people's lives
- ESG verticals: e.g., renewables (Solar360 in Spain), eHealth, circularity, cybersecurity
- Artificial intelligence: Our Artificial Intelligence Principles (AI code of conduct) were first published in 2018. Since 2023, we have a Governance Model on Artificial Intelligence.

More information

Safe & responsible use of technology

- Ensuring that P&S meet the strictest privacy and security standards to generate confidence in use of new technologies.
- Protecting and fostering a responsible use of technology.
- Trainings and awareness-raising initiatives for customers and the society as a whole.

More information

Human Rights: Due Diligence process

	Target	Target KPI	2024 Progress	Key messages
Human rights impact assessment	**100%**	**% of our operations assessed on human rights**	**100%**	• **Impact assessments** are a key element of our **Due Diligence process** • We conduct **Global impact assessments** to identify human rights impacts. Based on the results, we conduct **local assessments.**

Pioneering report on the Due Diligence process to take into account the new regulatory requirements, following a six-step process:

1 Policies
- Global Human Rights Policy approved by the Board of Directors
- We integrate due diligence in policies and risk management system

2 Impact assessments
- Impact assessment procedure at global and local level to identify and assess potential and actual impacts

3 Integration into processes
- We establish action plans and measures to prevent and mitigate potential adverse impacts

4 Monitoring and assessment
- We evaluate the effectiveness of the adopted measures through indicators, which are included in the Responsible Business Plan
- Supervision by the Board of Directors through the Sustainability and Regulatory Committee

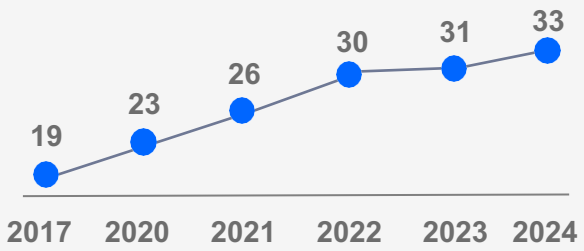
5 Communication
- We publish a report on sustainability due diligence process, available on the corporate website

6 Remediation
- We have mechanisms for raising and remedying queries: the Queries and the Whistleblowing channels
- Available to all stakeholders, 24/7, through public channels

Customer Relationship: Building trust

	Net Promotor Score	Our 2024 Progress
Customer satisfaction	We measure **NPS as a target linked to customer trust.** **NPS is** included within our **employees' remuneration schemes**	◦ NPS reached 33 points in 2024, marking an improvement of 14 points vs. 2017. ◦ >99% network availability during 2024, in line with our objective to provide the best connectivity.

Net Promoter Score*



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

Responsibility to the Customer

Quality and reliable 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 are part of the Planet Pledge initiative. In 2024:
• Trained marketing, comms, events & sponsorship employees to reduce environmental impact.
• Provided guidelines to avoid greenwashing.

*NPS reported on Annual Report 2023.

Sustainable Products & Services: key to our growth strategy

We develop innovative solutions to help our customers transition to more sustainable and competitive business models

Responsibility by design

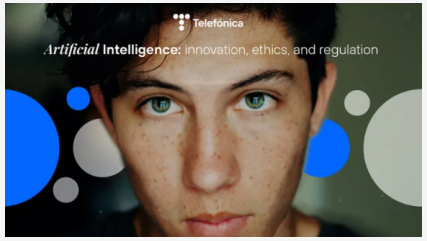
Integrating ethical, environmental sustainability and accessibility principles into P&S and channels.

Ethics applied to design

- Principles of responsibility to the customer
- Ethical principles applied to AI and data management

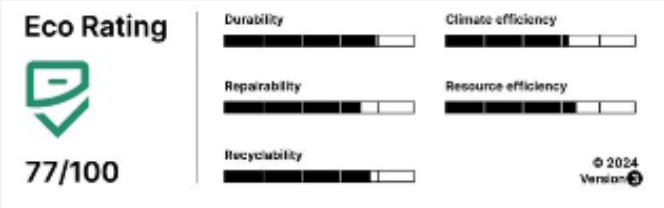
Sustainability applied to design

- Design taking into account impact on human rights and accessibility
- Impact on the environment



2024 update of the AI Principles, broadening the focus to its environmental impact and the entire value chain

Eco Rating



Measuring the environmental impact of mobile phones throughout their life cycle.

Sustainable solutions

- ECOSMART SERVICES — VERIFIED BY AENOR
- E-Health services
- Cyber-security

57% of the B2B portfolio has an Eco Smart seal

Sustainable innovation

- Fostering and supporting the entrepreneurial ecosystem coordinated by Telefónica's open innovation unit (Wayra) and investing in incubation centres, allowing us to promote the development of new business initiatives

- > 10 years investing in innovative startups
- 1,168 startups invested in through direct investment and funds.
- 948 startups directly invested
- 237 startups invested in through funds.

wayra
Telefónica Innovation

Contribution and impact on societies

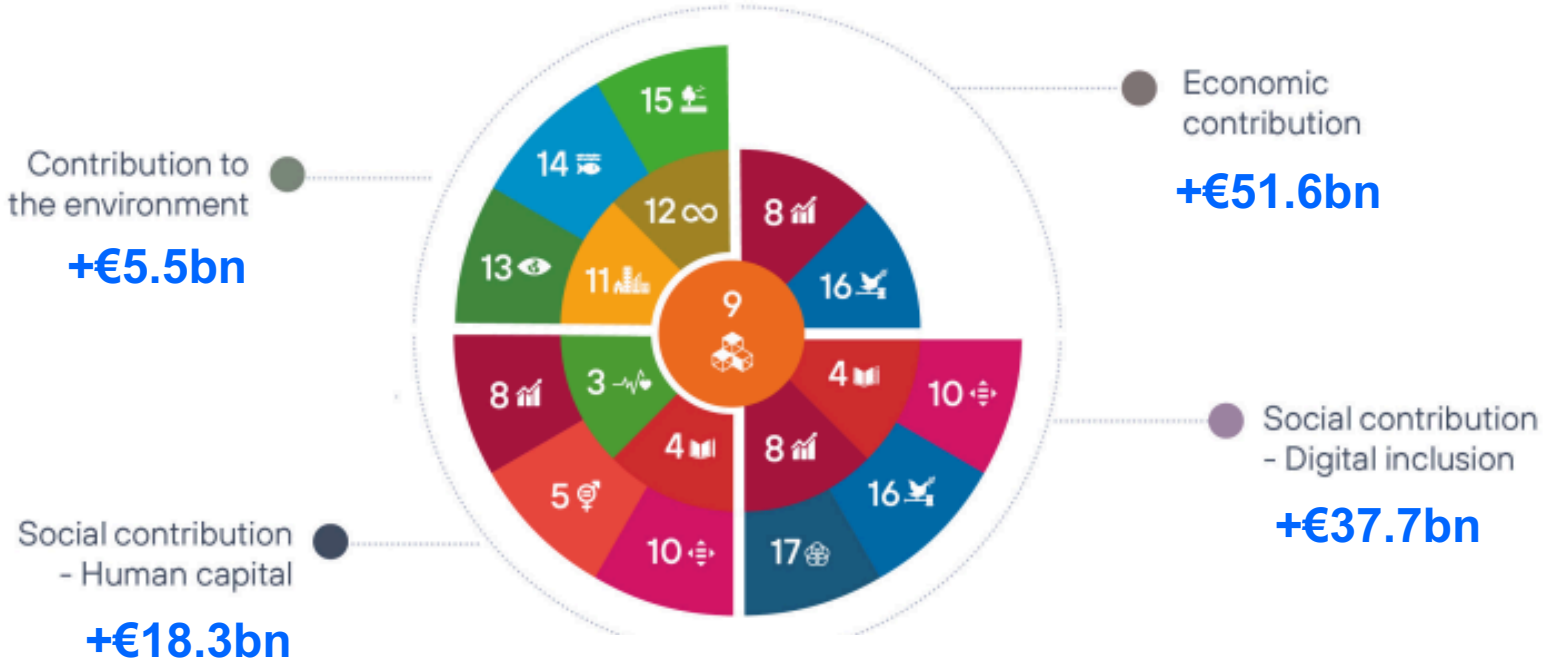
Since 2018, we have been measuring our impact and our contribution to the main SDGs in order to better integrate this into the organisation's decision-making models.

We follow the guidelines of:
- Harvard Business School (HBS).
- Value Balancing Alliance (VBA).
- World Business Council for Sustainable Development (WBCSD).
- Capitals Coalition.

See full report

>€113bn socio-economic contribution

Impacts aligned with the Sustainable Development Goals



G: Leading by example

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

- Corporate governance
- Privacy & Security
- Culture based on ethics
- Managing a responsible supply chain

Telefónica

Corporate Governance: A balanced and diverse Board

40%
Women on the Board of Directors

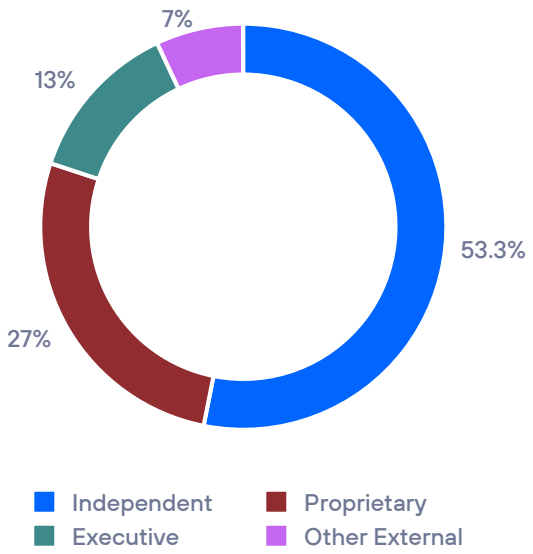
15
Members on the Board of Directors

53.3%
Independent Directors

7.09 Years Average Directors Tenure

Lead independent Director

Board composition



International Diversity

Nationality	
Spain	11
Austria	1
Brazil	2
Saudi Arabia	1

Data: February 27, 2025

Corporate Governance: Active Board oversight

The Board continuously analyses the main strategic issues facing Telefónica.

- Board meets *once* every month
- Executive Commission meets *twice* every month
- Board Annual Strategic Off-site
- Board Committees meet *once* every month

Board oversight of Strategy

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

Human Capital Management Initiatives and Plans

Updates on Transformation programme

ESG Landscape and Responsible Business Plan

Strategic Portfolio Analysis

Board oversight of Responsible Business Plan

Approval

- Responsible Business Principles + Ethical Framework
- Responsible Business Plan + Roadmap for Sustainability
- Main Sustainability Policies

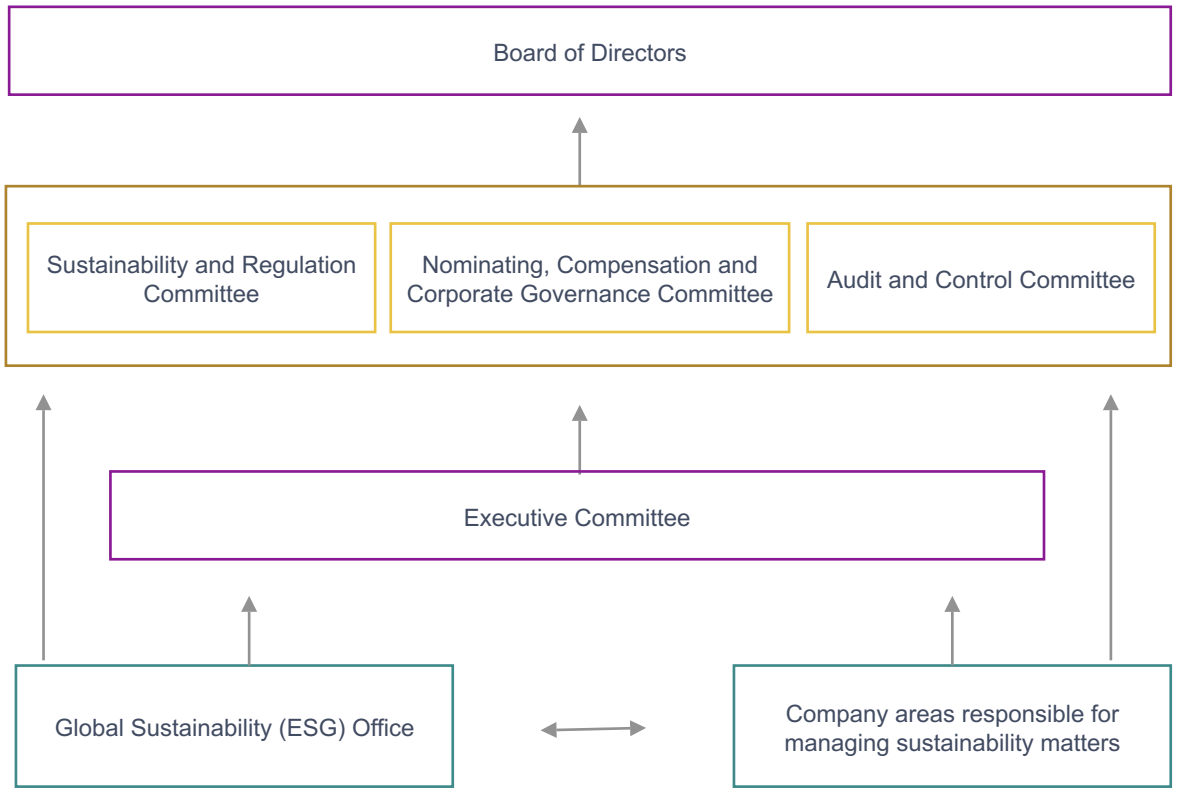
Supervision

- Sustainability and Regulation Committee
- Audit and Control Committee
- Nominating, Compensation and Corporate Governance Committee

Corporate Governance: Sustainability Management

Various governance and management bodies involved in sustainability management

Main bodies of the sustainability governance model



Board of Directors	Approves the **Responsible Business Principles**, the **Responsible Business Plan** and the **relevant ESG policies and regulations, including the Climate Action Plan.**
Sustainability and Regulation Committee	It **oversees implementation of the Responsible Business Plan** at its monthly meetings, among other tasks.
Nominating, Compensation and Corporate Governance Committee	Oversees the **variable remuneration system**, which includes **sustainability-related targets**, among other things.
Audit and Control Committee	Oversees certain matters related to **sustainability information**, **regulatory compliance**, the **risk analysis and management** process and the Company's **reporting processes.**
Executive Committee	**Monitors the business and the Responsible Business Plan**. and the sustainability-linked performance objectives set (including those relating to remuneration), among other things.
Global Sustainability (ESG) Office	Monitors and coordinates, among others, the **sustainability strategy** (Responsible Business Plan), **double materiality analysis, sustainable governance and culture, the environment, human rights, due diligence in the value chain, customer responsibility and sustainable interaction with other stakeholders such as analysts or investors**.
Company areas responsible for managing sustainability matters	Undertake the **implementation of the objectives of the Responsible Business Plan.**

Privacy and Security

Privacy and Security is fundamental to our business. Our priority is to generate a relationship of trust with all those with whom we work.

Protection

Data must be secure and individuals' privacy must be preserved. This is the foundation of our business and our primary consideration when designing our services and collaborating with third parties.

Design

We prioritise privacy from the very beginning, embedding it into the foundation of our products and services. This ensures that privacy is maintained at every stage of development and throughout the lifecycle of our offerings.

Empowerment

Individuals should have full control over their personal data. This means giving them access to their information, as well as insights into the associated risks and benefits of managing it.

Transparency

The principle of transparency is about both providing people with straightforward tools that allow them to control their data and having the technological development needed to generate maximum respect for privacy and information security.

Actions in 2024

Privacy teams receive specialised **training** and participate in ongoing **development programs**. All employees receive training aimed to understand and apply fundamental privacy principles.

0 fines due to data protection issues as a result of a security breach or incident affecting personal data.

Leading telco in Ranking Digital Rights index and the Digital Inclusion Benchmark

Data privacy: performance, internal controls and main targets

In order to reduce risk exposure and increase digital trust, Telefónica complies with the **"Data minimisation"** principle of the General Data Protection Regulation (GDPR), to **obtain, process and store** only the personal data that is **necessary** and to do so only for a **specified time.** We have established policies and guidelines on the **storage and deletion of data** in the Transparency Centres of the Group's operators.

Our data privacy performance in 2024

- Update the **Group's Privacy Policy,** that adheres to the principles of lawfulness, transparency, commitment to data subject rights, security, and storage limitation; and incorporates BCRs
- Implement the **AI Governance Model** in accordance with internal regulations: we have developed an app to record the AI systems that are developed, used or marketed at the Telefónica Group, and to identify associated risks and applicable requirements in order to both reduce risk and comply with regulations in force.

Our internal data privacy policies

Privacy regulations

Global Privacy Policy

Corporate Rule

Approved by the Board of Directors of Telefónica, S.A.

Establishes the mandatory rules for all Company entities, thereby laying the foundations for a privacy culture based on the principles of legality, transparency, security, storage limitation and respect for data subjects' rights.

Personal Data Protection Governance Model Regulations

Corporate Rule

Approved by the DPO Office of Telefónica, S.A.

Establishes the strategic, organisational, operational and management framework applicable to our different activities in the field of data protection.

Regulation on Requests by Competent Authorities

Corporate Rule

Aprobada por la dirección de Ética y Sostenibilidad de Telefónica S.A.

Establishes the principles and minimum guidelines that must figure in the internal procedures of each of the Group's companies/business units/OB to ensure compliance with their duty to cooperate with the competent authorities as regards our customers' data.

Key messages for 2024

To ensure that international transfers of personal data among Telefónica Group companies adequate guarantees, the Company adopted **Binding Corporate Rules** (BCRs), approved by the Spanish Data Protection Authority in 2024, following a procedure of cooperation between the European data protection authorities.

Security & Cyber-security

Protecting people and property from potential damage from Security threats while guaranteeing confidentiality, integrity and availability of the company's information assets.

Internal security management

Prevention, detection and appropriate response to reduce attacks and protect digital services across the Group.

- Physical and operational security
- Digital security
- Business continuity
- Fraud prevention
- Supply chain security

All of our major operations are certified and follow International standards such ISO 27001 and NIST

Next Steps

- Continue our review of the global regulatory framework on security in order to simplify it and align it with new versions of international standards
- Move forward with deploying the Zero Trust model to control IT system access and with implementing tools to govern the security of cloud environments.
    - Zero Trust is a security strategy applied to accessing information that will be provided through “minimum privilege” control techniques. It will be end-to-end encrypted and guided by the principle of “never trust, always verify”
- Increase the percentage of contracts/RFPs that contain security requirements for the supply chain.

https://www.telefonica.com/en/global-transparency-center/security

Ethics and responsible business

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

Legal compliance & zero tolerance to corruption & bribery

- Integrity is the basis for our Compliance function.
- Anti-corruption Policy is aligned with the provisions of the United Nations Convention against Corruption of 2004

Robust training on ethics, environmental and social topics

- Mandatory responsible business, human rights training, integrity training and internal awareness campaigns.
- Mandatory Training Framework 2024 "Exploring our Code of Ethics: Integrity, Privacy and Security".

Compliance Awareness

- 6ª edition Five Stars Recognition Program
- 6ª edition Compliance Day
- 3ª edition Compliance Survey

Risk

- As part of its system for preventing and detecting corruption and bribery, Telefónica conducts a basic compliance six-month risk assessment and audits. This forms part of the risk management model based on the guidelines of the COSO* and is implemented uniformly across the Group's main operations

Whistleblowing and Queries channel

- Telefónica has an Internal Information System designed to comply with law and with internal regulations like our code of Business Conduct. The system has appropriate mechanisms in place to ensure the confidentiality of communications and to channel possible complaints.

Third parties

- Since 2023 an email, with the key regulations regarding integrity and the consequences of non-compliance, has been sent every six months to all suppliers awarded contracts

Certifications**

- ISO 37001:2016 in the operations in Colombia, Peru y Spain.
- UNE 19601:2017 in the operations in Spain, all renewed in 2023.

Fair competition

- Training on competition law available for all company areas.

Political neutrality

- We do not take a political standpoint beyond views on matters affecting Telefónica according our Responsible Business Principles

(*) Committee of Sponsoring Organizations of the Treadway Commission

(**) ISO 37001:2016: Colombia Telecomunicaciones S.A. ESP BIC, Telefónica del Perú S.A., Telefónica de España, S.A.U, Telefónica Móviles España, S.A.U, Telefónica Soluciones de Informática y Comunicaciones de España, S.A.U. and Teleinformática y Comunicaciones, S.A.U, and Telefónica Tech Perú S.A.C.

UNE 19601:2017: Telefónica, S.A., Telefónica de España, S.A.U., Telefónica Móviles España, Telefónica Soluciones de Informática y Comunicaciones de España, S.A.U. and Teleinformática y Comunicaciones, S.A.U.

Supply Chain Management

	Target	Target KPI	2024 Progress	Key messages
Minimum standards required	100%	**Requirement to accept sustainable supply chain policy within procurement model**	100%	• Prior acceptance of these minimum conditions means that **awarded suppliers** take on specific **commitments regarding social and environmental impacts** as outlined in Telefónica's regulations.

Telefónica's supply chain approach is based on two pillars

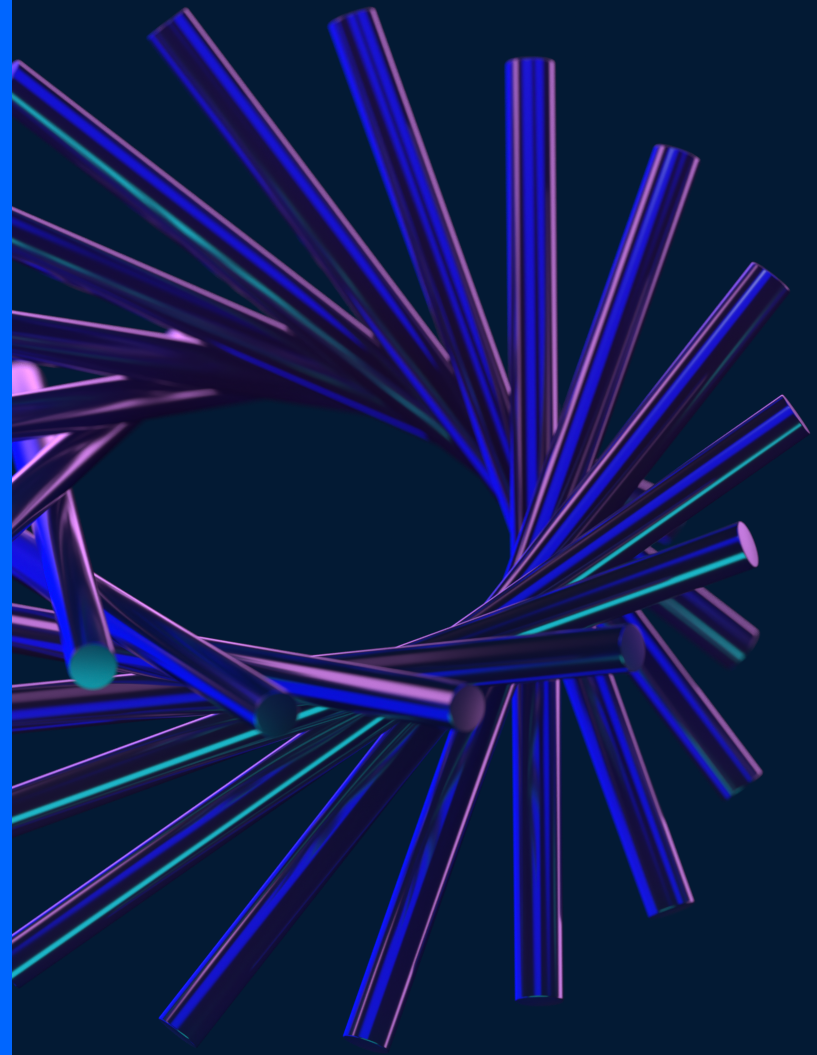
1. Risk management

STEP 1	All suppliers are required to accept our Supply Chain Sustainability Policy.	**100%** of our suppliers are required to accept our sustainability standards.
STEP 2	Identification of potential high-risk suppliers.	**661** potential high-risk suppliers.
STEP 3	Performance assessment of potential high-risk suppliers.	**407** potential high-risk suppliers have been evaluated on sustainability aspects
STEP 4	Audits (administrative or on-site) of potential high-risk suppliers.	**20.898** administrative or on-site audits (include improvement plans agreed with the suppliers that do not comply with any of the audited aspects).

2. Engagement

Every stage is accompanied with **training and engagement with our suppliers**: to **raise awareness** and promote capabilities to improve.

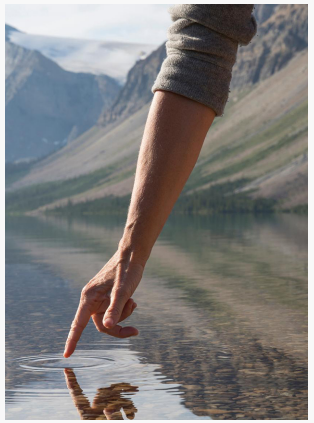
Annex



Telefónica

ESG Information

Annex I
ESG Documents



ESG Library

Consolidated Management Report 2024

Telefónica