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SBM-1, SBM-2

2.2. Strategy and business model

2.2.1. The Company

SBM-1_01, SBM-1_02

Corporate profile

2024 marked an important milestone in Telefónica's history. In April, the Company celebrated the 100th anniversary of its incorporation in Spain in 1924 with the mission of deploying a national telecommunications network, automating local telephony in large cities by laying cables underground, and connecting the entire country through a long-distance network. In the years since, Telefónica has grown and transformed the business, expanding it to its current size.

At year end, the Telefónica Group was present in markets in Europe (Spain, Germany and the United Kingdom) and Latin America (Brazil, Argentina, Chile, Colombia, Peru, Mexico, Ecuador, Venezuela and Uruguay), in which the Company provides services under different brands, including:

- Movistar, in Spain and Latin America.

- Vivo, in Brazil.

- O2, in Germany and Spain.

- VMO2, in the UK, through the joint venture with Liberty Global called VMED O2 UK (see Scope of consolidation in 2.1. Basis for preparation).

- Telefónica Empresas / Telefónica Tech, aimed at the corporate segment.

The main customer segments are:

- Residential (individuals and households).

- Corporate (SMEs, Companies, Multinationals, Public Administrations).

- Wholesale and other partners.

Telefónica offers its customers a broad range of products and services, based on the latest technologies available in each area. As part of its main business of telecommunications, Telefónica deploys state-of-the-art networks (based on fibre and 5G) to connect the societies in which it operates.

Additionally, the Group provides a large number of digital services to its residential customers (entertainment, home, security, etc.), and has developed a specific offering for business and public segments that includes, among other services, cloud services, cybersecurity, Internet of Things (IoT), artificial intelligence (AI) and professional services to integrate these solutions. Along with these, the Group provides wholesale services to other telecommunications operators and works with them on developing new industry solutions (for example, the Open Gateway initiative under the GSMA).

Main indicators

SBM-1_03

Number of employees by geographic area

Geography	2024
Germany	8,793
Brazil	36,200
Spain	25,086
Hispanoamerica[1]	29,489
Rest[2]	1,302
Total Group	**100,870**

SBM-1_06

In fiscal year 2024, the Telefónica Group's total revenues reached 41,315 million euros.

2.2.2. Strategy

SBM-1_23

Mission and sustainability strategy (main targets)

Telefónica's mission places people at the centre of everything it does. It wants to be a company in which customers, employees, suppliers, shareholders and society in general can trust. Its mission consists of two key elements:

- Making the world more human: corporate ethics are at the heart of everything it does. The Company puts technology at the service of people and drives responsible digitalisation that accelerates the green transition. It takes into account the expectations and needs of different stakeholders to build relationships based on trust.

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[1] Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

[2] The "Rest" category is made up of Group employees present in a total of 28 countries.

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- Connecting people's lives: this means that it aims to digitalise society as a whole, leaving no one behind, and reduce the digital divide in terms of access, affordability, accessibility and training in digital skills. This also drives the Company to innovate, ensuring that it offers secure products and services that add value and contribute to improving people's lives, and to leverage digital solutions.

Committed to this mission, Telefónica integrates the main aspects of sustainability into its strategy, designing action plans to tackle the impacts, risks and opportunities arising from the double materiality analysis. These ESG commitments are reflected in the 2024-26 Responsible Business Plan:

Transform the customer relationship
Telefónica is working on developing a new global customer responsibility policy aimed at building unique experiences based on trust.

In addition, the Company wants to expand its range of products and services by capitalising on the opportunities offered by an ESG perspective. This approach includes promoting Eco Smart products, encouraging responsible design practices and boosting digital inclusion through the development of accessible solutions with a positive social impact, among other measures. Through these initiatives, Telefónica seeks not only to set itself apart in the marketplace, but also to build stronger, more sustainable and longer-lasting relationships with its customers.

Transform the operating model
In order to generate a higher return on its investments and improve its resilience, the Group is committed to decarbonising its operations and reducing energy consumption by prioritising renewable sources and energy efficiency practices.

It also seeks to promote the circularity of its processes in order to explore new business models (the reuse of customer equipment or mobile devices) and generate efficiencies. In addition, the Company is working to incorporate sustainability criteria into its financing, which is mainly reflected in the contracting of new financial instruments linked to ESG targets.

Transform and commit to long-term value
In order for sustainability to be a driving force for Telefónica's value creation, it undertakes management commitments that enable it, among other things, to position itself as a leader according to various ESG benchmark ratings. To achieve this, the Company emphasises the importance of promoting excellence in governance and transparency in information, underpinned by a strong ESG culture.

Telefónica is considering different solutions and projects, among which is the implementation of wide-ranging due diligence processes that promote the sustainable management of its entire value chain, as well as its focus on human talent through practices that prioritise employee well-being, improve their skills and promote diversity.

SBM-1_21, SBM-1_22

Telefónica's Responsible Business Plan includes measures, monitoring indicators and targets in all its pillars. This Plan and the objectives it defines are corporate in scope, and therefore impact breakdowns of groups of products and services, customer categories, geographic areas and stakeholders of the Company.

The action plans or strategic measures, as well as specific targets, are described in each of the chapters of this Report on each topic, together with their specific characteristics.

2.2.3. How Telefónica creates value

In accordance with Telefónica's mission to "make our world more human by connecting people's lives", Telefónica develops an integrated telecommunications operator model in its major markets. The Company invests directly in the deployment and operation of networks and develops a broad range of connectivity-based products for end customers.

This business model enables Telefónica to position itself as an integral supplier of telecommunications services, with an offering that is tailored to the changing needs of its customers and the technological demands of the market.

Business model

SBM-1_25

Deployment, operation and maintenance of networks
As an integrated operator (with a network), Telefónica invests in deployment and operates a telecommunications network that includes fixed and mobile network infrastructure. This provides wide coverage and quality connectivity for residential and corporate customers. The Company deploys next-generation technology, such as fibre optic networks and high-speed connections, to ensure access to ultra broadband and meet the increasing demand for data from its customers.

To provide the service, the Company invests in the acquisition of spectrum licences that enable it to operate its mobile networks at different frequencies. This includes complying with regulator rules to foster legal and uninterrupted operations, ensuring the quality and continuity of the services.

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With the move towards software-defined networking (SDN) and the opening up of APIs, Telefónica can rapidly adapt to the needs of its customers and enable personalised services. This facilitates integration of third-party services and enhances operational flexibility. In this new network environment, operators have become coordinators of numerous layers and services. Telefónica not only provides connectivity but also integrates many different services through centralised network management, thereby allowing for real-time configuration and permitting the optimisation of network use and, consequently, of energy consumption.

In certain market environments, the Company leverages infrastructure sharing models with other operators, particularly in less densely populated areas, thereby maximising the efficiency of capital and reducing the environmental impact. Telefónica also explores innovative investment models to finance network deployment, such as joint ventures and associations with infrastructure funds.

Development and bundling of products and services for customers

In most markets, Telefónica is developing a convergent offering that combines fixed and mobile connectivity services, TV and digital services, designing packages that increase value for customers. In addition to offering fixed and mobile telephony, the Company provides high-speed Internet and quality mobile data, tailored to different needs (businesses, households, etc.).

Telefónica offers subscription TV through IPTV and OTT services (over proprietary or third-party platforms), which enables access to content both on traditional devices and through streaming. Local operators acquire broadcasting rights, develop their own content in some markets and collaborate with other content producers to deliver exclusivity and additional value in their TV offering.

In addition to connectivity, Telefónica develops its own digital products and associates with third parties to offer their services in areas such as security, entertainment, education and energy.

For corporations, Telefónica supplies integrated connectivity, cloud services and professional services (cybersecurity, data analysis, IoT) packages, backed by a network of alliances with leading technology firms.

Lastly, Telefónica has a range of wholesale options aimed mainly at other operators, both in compliance with current regulations in each market and through commercial agreements.

Relationship with end customers and other stakeholders

Telefónica has a direct relationship with its end customers throughout all the significant customer journey touchpoints, with the goal of ensuring service quality and increasing customer satisfaction (measured in terms of the Net Promoter Score or NPS, see ESRS S4 section 2.13.3. Action plans, metrics and targets). It therefore makes available different sales and after-sales service channels, including stores, the Internet and mobile applications, to ensure access and convenience for end customers.

The Company uses data analysis and AI to understand and segment its customers, enabling personalised offers that improve retention and satisfaction. Telefónica implements customer data protection and privacy measures through advanced cybersecurity tools and protection policies that meet international standards. As regards the use of AI tools, Telefónica has made public its position regarding the need for the ethical use of technology, with the dual objective of mitigating risks—thereby building trust—and promoting innovation.
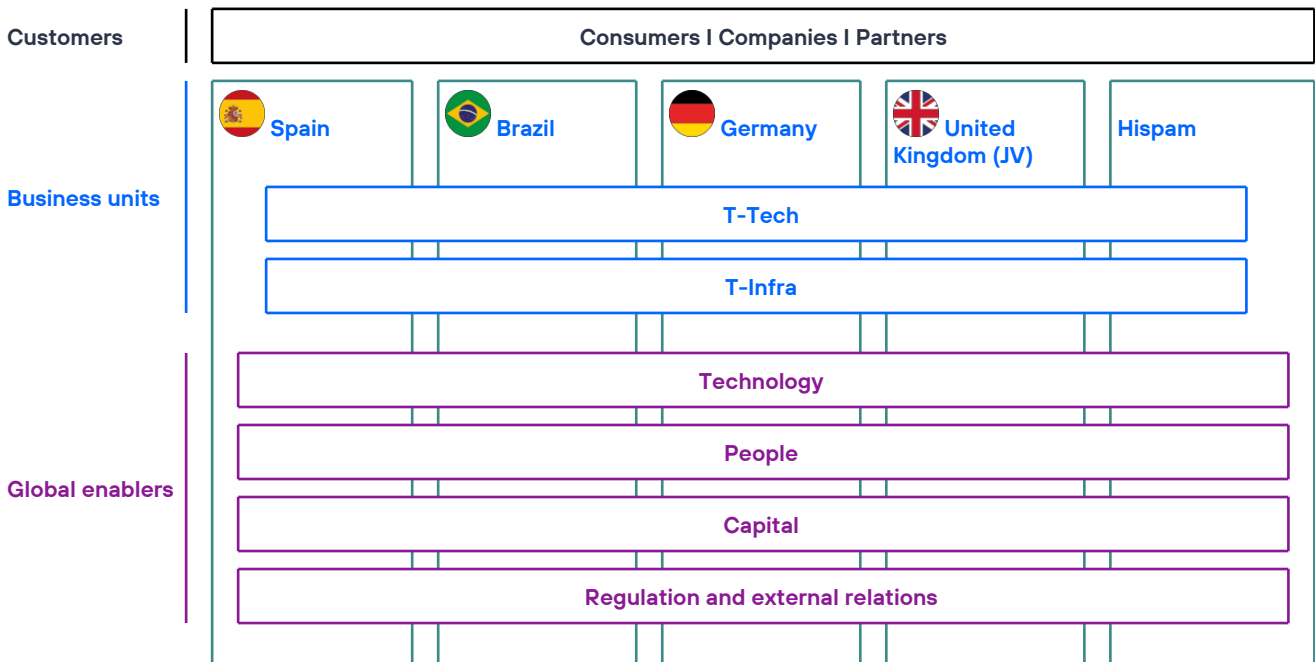
Telefónica enables access for all the potential customer segments, with brands and portfolios adapted to the markets in which it operates. For this purpose, it extends the coverage of its networks and facilitates access to its services for groups with different abilities, fostering their access to digitalisation.

While providing connectivity or digital services, Telefónica also supplies its customers with the most appropriate hardware devices for each service. At the end of the life cycle of these products, it rolls out initiatives for reuse, recycling and safe disposal of network or customer equipment.

Main operations of the Telefónica Group

In order to develop its business model, Telefónica is present in many different markets, in which it operates its networks and serves its end customers. The Group operates locally in markets where its market share enables it to be a major operator and obtain economies of scale.

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Its current structure comprises four main geographical areas (Spain, Brazil, Germany and the UK) and a unified operation in Hispanoamerica that includes eight local markets. Additionally, there are two transversal business areas (T-Tech and T-Infra.) and a centralised corporate unit (see Scope of consolidation in 2.1. Basis for preparation).

Customers	Consumers I Companies I Partners				
Business units	Spain	Brazil	Germany	United Kingdom (JV)	Hispam
	T-Tech				
	T-Infra				
Global enablers	**Technology**				
	People				
	Capital				
	Regulation and external relations				

Benefits for main stakeholders

SBM-1_26, SBM-1_27

By engaging in the different activities that form part of its operations, Telefónica generates value for its many stakeholders. These benefits materialise as follows:

- For its customers, Telefónica provides telecommunications services that are state-of-the-art, reliable, safe and tailored to many different consumer profiles for individuals, households and companies.

- As regards employees, the Company maintains conditions that comply with current laws, a safe work environment and attractive remuneration in the different markets in which it operates. Telefónica promotes the individual development and training of its employees within an atmosphere that places value on a culture of diversity, collaboration and respect.

- In the case of its supply chain, Telefónica develops an ecosystem of trust, collaboration and co-responsibility, ensuring compliance of its commercial obligations and promoting technological innovation throughout the value chain.

- For its investors, Telefónica focuses on achieving reliable, predictable and transparent financial results,

maintaining its commitment to long-term shareholder remuneration, in a sustainable manner.

- Lastly, the Company is a driver of growth for the communities in which it operates, creating job opportunities and contributing to economic development and to supporting the different countries through taxation. Through its activities as a supplier of communication services, it also collaborates in reducing the digital divide and bringing new technologies to society.

SBM-1_28

Value chain

Telefónica's value chain encompasses the activities, resources and relationships involved in the business model of a company and in the external context in which it operates. That is, it encompasses all the elements needed to create products and services, from the initial idea to their delivery, consumption and end of life. A summary of the main characteristics of the value chain that have been taken into consideration and specifically developed, is provided below:

- Elements: upstream, operations and downstream.

- Stages that make up the value chain (eight in total).

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- Activities included in each of the stages and subactivities.

- Main actors involved in the activities (agents).

- Most representative geographical areas in which the Company operates.

This information has also been used in the assessment process for each of the IROs and, therefore, for

materiality. This has enabled us to perform a more detailed IRO analysis, taking into account the relationship of IROs with the value chain.

The following table describes the elements, stages, activities and subactivities included in Telefónica's value chain:

Details of the value chain

Elements	Stages	Activities and subactivities		
UPSTREAM	**PROCUREMENT**	**Assets for business development:** · Infrastructure · Equipment · Devices (mobiles, routers, etc.) · Real estate · Mobility (terminal equipment) · Software	**Services and works:** · Network and infrastructure · Logistics and transport · Consultancy · Other services	**Rentals and infrastructure sharing:** · Agreements with agents **Supplies:** · Energy · Water
OPERATIONS	**RESEARCH AND DEVELOPMENT**	**Development of new technologies** **Improvement of existing products**		
	OPERATIONS	**Installation of network, customer and data centre infrastructure:** · Planning and design · Deployment and operation · Installation of equipment (routers, etc.) · Network dismantling · Waste management	**Network management, systems and cloud:** · Monitoring and supervision · Network operations and maintenance · Security services	**Production of audiovisual services:** · Creation–design and acquisition of content · Distribution, operation and broadcasting of content
	SUPPORT ACTIVITIES	**Support activities:** · H.R. · Financing		
	PRODUCTS AND SERVICES	**Communication services:** · Mobile networks · Fixed networks · Other services (e.g. roaming) **Digital and cloud services:** · Cloud services · Digital services (IoT, big data, AI, etc.) · Cybersecurity · Consultancy services	**Sale and installation of devices:** · Mobiles, computers, etc. · Routers **Other products & services:** · Movistar Prosegur Alarmas · Reloj TeCuida · Solar 360, etc.	**Audiovisual services:** · Digital platform · Television channels · Productions (film, programs, etc.)

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Elements	Stages	Activities and subactivities		
DOWNSTREAM	💼 **MARKETING**	**Assisted-service channels:** • In-store sales, telephone assistance and network of sales representatives	**Non-assisted channels:** • Digital platforms	**Logistics and distribution** **Marketing and communication**
	👆 **USE**	**Use of products and services:** • Communication services • Digital and cloud services • Audiovisual services • Devices		
	👤 **AFTER-SALES**	**Customer service (in-person and remote):** • Complaint management • Query service	**Technical support and repairs** **Reverse logistics** **Customer waste management**	

A compilation of the main agents in the value chain is provided below. Agents are understood to be the persons or entities involved in one or more of the three elements of the value chain:

• Upstream agents: those who participate in the value chain before products or services reach the main organisation. They are usually involved in supply chain activities and are key for starting the activity. They include services suppliers, goods suppliers, other suppliers and banks.

• Operations agents: those who conduct activities and form key relationships to be able to develop the products and services that are subsequently marketed. They include Telefónica's own employees, collaborating companies (contractors), and other operators.

• Downstream agents: those who are involved after the product or service has left the organisation and are essential to the distribution, use and after-sales stages. They include B2B customers, B2C customers, call centres and advertising and marketing agencies.

Finally, consideration has also been given to the main distribution channels that form part of the value chain, the purpose of which is to connect the operations with consumers and end-users.

In the products and services marketing stage, the following channels must be highlighted: shops, telephone customer services and digital platforms, as well as the distribution and logistics services needed to deliver the products and services. The after-sales stage contains the various customer service channels (in-person and remote), as well as technical support and the repair service.

2.2.4. Stakeholder management and relations

SBM-2_01, SBM-2_05

Telefónica manages its relationship with interested parties and users of the information (stakeholders) with the aim of building mutual value, forging links that enable the Company to align its expectations with those of its stakeholders. This approach enables the building of trusting relationships, the identification of significant topics and the anticipation of sustainability trends, promoting the long-term durability of the Company.

SBM-2_04

Stakeholder management and relations strategy

In 2024, the Company updated its process of identifying and prioritising stakeholders. Through this process, the main stakeholders were identified and segmented throughout the entire value chain.

With this complete picture, Telefónica carried out a prioritisation process based on an evaluation of influence and interest. As regards influence, factors that were considered include the direct impact of the stakeholders on the Company's operations, the level of dependence on its activities or the frequency of interactions. In terms of interest, the Group assessed variables such as the degree of direct involvement, the level of interest during critical or emergency situations or the importance they attach to the image and reputation of the Company.

As a result of this process, the following stakeholders have been identified:

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Stakeholders	Definition
Analysts and investors	Shareholders, other investors and analysts who assess Telefónica's performance in different dimensions. Includes: individual shareholders, significant holdings and institutional investors (including those focused on ESG).
Competitors	Companies that offer products and services that are similar or related to Telefónica's. Includes: direct competitors, indirect competitors and new entrants.
Consumers and end-users	Natural or legal persons who, by signing a contract with Telefónica, acquire the right to use its products and services. Includes: B2B customers and B2C customers.
Employees	Staff who are hired directly by Telefónica. Includes: professionals, executives and worker representatives.
Employees in the value chain	Staff who work for a direct or indirect Telefónica supplier company. Includes: employees of direct high-risk suppliers, employees of indirect high-risk suppliers and employees of low-risk direct or indirect suppliers.
Government entities and regulators	Organisations responsible for corporate regulatory oversight in the area of telecommunications. Includes: national agencies, regional agencies, multilateral agencies, sectoral regulators, international and regional bodies, sectoral and business organisations, local and regional governments.
Asset managers and credit institutions	Financial institutions that provide capital or financing to Telefónica. Includes: credit institutions and lenders.
Environment	A silent stakeholder made up of ecosystems and natural resources (energy, water, minerals, etc.) on which Telefónica's activities may have an impact.
Suppliers	Companies that supply products or services to Telefónica. Includes: direct high-risk suppliers, indirect high-risk suppliers, low-risk suppliers.
Insurance	Entities that protect the assets, income statement and balance sheet of the Company, as well as covering liability towards third parties and entities that protect Telefónica employees. Includes: financial insurance, life and health insurance, infrastructure insurance and liability insurance.
Society	Social groups influenced by Telefónica's activities. Includes: NGOs, academic and research institutions, the media, vulnerable groups, local communities, indigenous communities and the rest of society.

SBM-2_03

In addition, as a result of prioritisation, Telefónica establishes different forms of interaction and involvement with its stakeholders. Although the Company collaborates with all groups, it designs different types of interaction based on their expectations and needs:

- For the main groups (high influence and high interest), continuous and bidirectional communication is implemented, fostering their active participation and gathering their expectations in order to integrate them into strategic decisions and the definition of sustainability policies.

- For latent groups (high influence and low interest), timely strategic communication is maintained, promoting their awareness of relevant issues that may impact their interests without requiring their constant participation.

- For informed groups (low influence and high interest), they are kept informed on a regular basis through the different channels and forms of relationship, so that they can understand how the Company's decisions may affect their interests.

- For monitored groups (low influence and low interest), communication is carried out on an occasional basis, sufficient to keep them informed about aspects that may be important to them for their decision making.

In line with this approach, for the main stakeholders identified through the prioritisation process, a mapping of the channels and forms of relationship has been carried out. This analysis allows the Company to adapt the interaction channels to the specific characteristics and needs of each group, in order to have bidirectional communication that integrates both the global and local approach.

As a result of this process, the Company has identified the main channels and forms of general and specific

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relationship with its stakeholders, both for communicating with them and for gathering their interests:

General channels and forms of relationship for all stakeholders:

- Consolidated management report.
- Results presentations.
- Queries Channel.
- Whistleblowing Channel.

- Prospectuses, mainly those that comply with legal requirements in some of the markets in which the Company's shares are traded.

- The policies of the Group, made publicly available on the Telefónica website.

- Publications and content on the global and local websites of Telefónica and its associated brands.

- Publications and content on social media: Facebook, Instagram, LinkedIn, TikTok, X, Twitch and YouTube.

SBM-2_02

Specific channels and forms of relationship with main stakeholders

Channels and specific forms of relationship	Analysts and investors	Customers and end-users	Employees	Governmental entities and regulators	Asset managers and credit institutions	Environment	Suppliers	Society
Boards, committees, commissions or meetings Formal spaces in which representatives of different areas or stakeholders meet to discuss specific topics and make decisions	x	x	x	x	x	x	x	
Mailbox for stakeholder consultations and service Space enabled for stakeholders to ask questions or express doubts about specific issues	x	x	x				x	
Formal surveys or consultations Structured tools used to gather opinions or specific data from stakeholders through previously defined questions	x	x	x	x			x	x
Newsletter Regular publications that inform stakeholders about news, progress or important issues	x	x	x	x		x	x	x
Specific social networks Digital platforms used to interact with stakeholders, share updates and receive comments			x	x				
Specific microsites or APPs Digital tools devoted to providing specific information or services to certain stakeholders, facilitating their participation	x	x	x		x		x	x
Specific working groups Specific teams put together to work on particular projects or initiatives			x	x	x	x		x
Forums, seminars and conferences Events organised to foster discussion and the exchange of ideas about topics of common interest	x	x	x	x		x		x
Real-time technical support Service devoted to resolving technical issues or providing immediate assistance to users through online chat services, calls or other support platforms		x						
Analysis of studies and research Compilation and analysis of indirect information about the needs and expectations of silent stakeholders, allowing an understanding of behaviours and preferences without the need for direct interaction						x		

This classification includes both assisted-service channels and those which are unassisted or self-managed. In addition, each of the material topic standards details the relationship channels applicable to each case.

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MDR-P_05

This breakdown of the channels and forms of relationship allows the Company to identify which are best placed for learning the expectations of stakeholders. The analysis of these expectations provides information for establishing, modifying and updating policies and procedures for those issues that directly affect them.

MDR-T_11, SBM-2_06

It also serves as a source of information when setting targets to promote positive impacts, seize opportunities, and mitigate or avoid negative impacts and risks. This methodology allows management and strategic decisions to be aligned with the needs and expectations of the Company's main stakeholders.

Additionally, stakeholder expectations and needs are integrated throughout the double materiality process. For more details on how they are considered in each of the phases of the materiality assessment, see:

🔗 2.3.1. Double materiality process

SBM-2_07, SBM-2_08, SBM-2_09

Knowledge of stakeholder expectations and needs enables the Company to adapt its business model to strengthen key relationships and competitiveness in the market. Likewise, these expectations and needs are reflected in the Company's strategy, which incorporates the main sustainability aspects arising from the double materiality result. Therefore, any changes in stakeholder expectations are reflected in Telefónica's strategy through the action plans in place to manage the material impacts, risks and opportunities (IROs) identified.

SBM-2_10, SBM-2_11

Over the course of 2025, the Group will perform an analysis of the established channels and forms of relationship in order to identify areas for improvement and develop specific action plans for addressing them, in order to manage its capacity to respond and adapt to its stakeholders' expectations.

SBM-2_12

In addition, and in accordance with the provisions of the Regulations of the Board of Directors of Telefónica, S.A., one of the duties of the Sustainability and Regulation Committee is to manage stakeholders, specifically:

- To promote a proactive relationship strategy with stakeholders, with the purpose of defining the material issues affecting the Company from impact, risk and opportunity perspectives.

- To ensure that the corporate culture is aligned with the Company's purpose and values and to act transparently towards stakeholders.

In addition, the Global Sustainability (ESG) Department is the area responsible for reporting annually to the Company's Sustainability and Regulation Committee on the opinions and the interests of stakeholders with regard to the Company's strategy and business model.

Likewise, the Chairman of the Sustainability and Regulation Committee, Mr. Francisco Javier de Paz Mancho, reports the main matters dealt with at its respective sessions (including stakeholder interests and opinions) to the meetings of the Board of Directors, ensuring that the most significant issues in terms of sustainability are taken into consideration in the deliberations of the Board of Directors.

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ESRS 2 – IRO 1, ESRS 2 – SBM 3

2.3. Materiality

2.3.1. Double materiality process

In 2024, Telefónica updated its double materiality process in line with the requirements established by the European Directive 2022/2464 on Corporate Sustainability Reporting (CSRD), the European Commission's Delegated Regulation 2023/2772, which includes the new European Sustainability Reporting Standards (ESRS), as well as the implementation guides IG1 (Materiality Assessment) and IG2 (Value Chain) drawn up by the European Financial Reporting Advisory Group (EFRAG).

SBM-3_03

This process helps to integrate material sustainability issues into the Company's strategy and decision making. In addition, it ensures that Company policies, action plans, metrics and targets are aligned with their critical issues from a dual perspective:

- Financial materiality: impacts on the Company's value or social, environmental and governance aspects that affect its financial profitability and capacity to create value for shareholders and investors from the perspective of risks and opportunities.

- Impact materiality: negative and positive impacts of the Company's activities on society and the environment, including those affecting human rights.

IRO-1_13

The double materiality process has determined which sustainability standards and issues (topics, sub-topics and sub-subtopics) are material for Telefónica and must be considered in the Sustainability Report.

SBM-3_11, IRO-1_15

This analysis is reviewed annually. As this is the first year of applying the aforementioned regulations, it is not possible conduct a full comparison with the previous year.

A four-stage process was followed: context analysis, identification and assessment of impacts, risks and opportunities (IROs), consolidation of the assessments and results, and, lastly, validation of the double materiality process.

2.3.1.1. Context analysis

The context analysis allows Telefónica to determine which topics must be taken into account when identifying and assessing impacts, risks and opportunities.

The first step is to take the list of topics, subtopics and sub-subtopics (sustainability issues) included in AR 16 of ESRS 1 and analyse the internal and external sustainability context that may affect the organisation and the context in which it operates.

Details of the sources and stakeholders considered at this stage are explained below:

Internal sources

- Telefónica's value chain: activities, resources and relationships involved in the Company's business model and the external context in which it operates, the products and services offered, regions and analysis of the agents and the nature of the Group's commercial relationships throughout the value chain.

- Telefónica's due diligence process on human rights and the environment.

- Report on Telefónica's Socio-economic Contribution.

- Report on Telefónica's impacts and dependencies on natural capital at a corporate level.

- Telefónica's Climate Action Plan 2024.

- Company strategy.

- Telefónica's risk management model and risk map.

- Other environmental reports.

- Telefónica's Materiality 2023.

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External sources

- Global ESG regulatory context: analysis of international environmental, social and corporate governance standards.

- Industry peers: materiality matrices of comparable companies in Telefónica sector.

- Analysts and investors: expectations of the Company's investors and ESG rating analysts such as MSCI, Moody's, S&P and Sustainalytics.

- Sectoral reports: global, specific and emerging sustainability trends, challenges and risks.

- Sector standards: SASB sector materiality.

Stakeholders

The expectations of Telefónica's key stakeholder groups were analysed through an examination of the various types of channels and forms of engaging with them in order to identify the priority issues and their degree of involvement in the double materiality process. The process of identifying, prioritising and engaging with stakeholders is outlined in the following section of chapter 2.2. Strategy and business model:

🔗 2.2.4. Stakeholder management and relations

Furthermore, consultations were carried out with the different stakeholder groups (such as NGOs, public institutions, business partners and sector associations) under the scope of the due diligence process. Accordingly, interviews were conducted with both internal and external stakeholders in order to assess the adverse impacts of Telefónica's activity on the environment and human rights throughout its value chain. Among the topics addressed were those related to digital inclusion, the responsible use of new technologies, child protection, freedom of expression and information, privacy, cybersecurity, working conditions, health and safety, diversity and non-discrimination, climate change, circular economy, biodiversity and water resources.

The context analysis resulted in the determination and selection of the topics to consider when identifying and assessing IROs.

IRO-1_01, IRO-1_14

2.3.1.2. Identification and assessment of IROs

IRO-1_02

Identification of impacts

The positive and negative impacts represent the effect that Telefónica could have on the environment and people as a result of its strategy, business model or value chain.

They are identified from the list of topics, subtopics and sub-subtopics selected during the previous stage. The areas of the Company responsible for the different matters within the organisation participated directly in this process, identifying, assessing and validating the different impacts.

In particular, when identifying the impacts, the following was considered:

IRO-1_03, IRO-1_04

- Whether these impacts occur as part of the Company's own operations or as a result of its business relationships. To determine this, account is taken of the activities within the value chain that generate impacts, the parties involved and the specific geographies for impacts with a local scope.

IRO-1_05

- Stakeholders who may be affected by these impacts.

Positive impacts

IRO-1_14

The main source of information for identifying the positive impacts was Telefónica's Socio-economic Contribution Report.

The impacts were measured and monetised in accordance with guidelines provided by organisations such as:

- Harvard Business School (HBS).

- The Value Balancing Alliance (VBA).

- The World Business Council for Sustainable Development (WBCSD).

- The Capitals Coalition.

The Capitals Coalition, in collaboration with the VBA and the WBCSD, has published the report General Guidance on Applying the Natural Capital Management Accounting Methodology, which outlines the impact measurement process.

Negative impacts

The starting point for the process of identifying the negative impacts was the Human Rights and Environmental Impact Assessment and an analysis of the 2023 Due Diligence Process. This allowed the impacts to be pre-identified with the expert knowledge of an independent third party and the perspective of management areas on various topics.

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Impact assessment

IRO-1_06

Once identified, the positive and negative impacts were assessed according to the following variables:

Positive impacts	Potential	If there is an economic valuation: MAGNITUDE (Economic valuation + Scope + Scale), PROBABILITY (Likelihood of impact x Time horizon)
		If there is no economic valuation: MAGNITUDE (Scope + Scale), PROBABILITY (Likelihood of impact x Time horizon)
Positive impacts	Actual	If there is an economic valuation: MAGNITUDE (Economic valuation + Scope + Scale)
		If there is no economic valuation: MAGNITUDE (Scope + Scale)
Negative impacts	Potential	SEVERITY (Scope + Scale + Remediability), PROBABILITY (Likelihood of impact x Time horizon) *In the event that the impact affects human rights, a greater weight is assigned to the severity so that it prevails over probability*
Negative impacts	Actual	SEVERITY (Scope + Scale + Remediability)

Definition of the variables considered in the assessment

The magnitude comprises the scale, scope and economic valuation (if applicable). The probability is the likelihood of the impact multiplied by the time horizon of the potential impact.

- Scale: the level of importance attributed to each impact by affected stakeholders. This information is derived from consultations and studies conducted via the Company's different engagement channels. For more details, see:

  🔗 2.2.4. Stakeholder management and relations

- Scope: extent of the impact (global, regional, national, local or specific).

- Economic valuation: for positive impacts only; the quantified and monetised economic impact on affected individuals and resources.

- Irremediability: for negative impacts only; the degree of difficulty involved in counteracting or correcting the damage caused. It is weighted based on whether action is needed to mitigate the impact or whether it is irreparable.

- Impact probability: likelihood of the impact occurring. Qualitative information is used to assess and justify this variable.

- Time horizon: when the impact is most likely to materialise (short-, medium- and long-term).

IRO-1_07, IRO-1_08

Identification of risks and opportunities

The risks and opportunities stem from external sustainability events or conditions that could cause a negative effect, in terms of risks, or a positive effect for Telefónica's economic value, in terms of opportunities.

As with impacts, the identification of risks and opportunities includes the activities within Telefónica's value chain in which they occur and the actors that are involved.

Risks

IRO-1_10

Given the nature of the business and its sustainability context, Telefónica is exposed to various types of ESG (environmental, social and governance) risks and opportunities. The risk management process takes the Company's strategy and targets as a reference point for identifying the main risks that could affect their achievement. The process includes sustainability-linked risks and aims to analyse, control and prevent potential business repercussions.

Therefore, ESG risks, just like the other financial, business, operational or legal and compliance risks, are part of Telefónica's Risk Management Model and are also identified, assessed and managed by the managers of the corresponding areas as part of the Telefónica Group's overall risk management process.

The identification of risks within the materiality process took into account those arising from a negative impact as well as those resulting from a dependence on human or environmental resources.

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IRO-1_14

Telefónica's Global Risk Management Model (ERM) is the main source of information.

IRO-1_12

Based on the risk management exercise, which the Company performs regularly, an analysis of the risks reported by the Group's companies and their relationship with the topics of the European Sustainability Reporting Standards (ESRS) is carried out. The results are shared with the global management areas, which use them to support the identification and assessment of their own risks in accordance with the CSRD.

Therefore, the identification and assessment of risks associated with negative impacts on society and the environment are based on the available information from the Company risk map. It is expected that further progress will be made in aligning the CSRD requirements with the Company's ERM.

IRO-1_07

Opportunities

To identify opportunities, the Group connects each of the associated topics of the standards to its strategic plan, allowing it to define rationales and performance indicators with different opportunity scenarios.

Assessment of risks and opportunities

The risk assessment took into account the parameters used within Telefónica's global risk process.

The opportunity assessment used a proprietary methodology developed by Telefónica's strategy team. Under this methodology, a benchmark monetary performance indicator is defined and different scenarios are proposed to estimate the economic value of the opportunity. Various Telefónica reports such as the Climate Action Plan, the sustainable financing plans and the Strategic Plan were used as sources for the assessment.

IRO-1_09

The metrics used in the assessment followed the below framework:

Financial materiality	Risks	POTENTIAL MAGNITUDE x PROBABILITY (Likelihood of occurrence x Time horizon)
		When the risk is reputational: CURRENT REPUTATIONAL MAGNITUDE x PROBABILITY (Likelihood of occurrence x Time horizon)
Financial materiality	Opportunities	POTENTIAL MAGNITUDE x PROBABILITY (Likelihood of occurrence x Time horizon)

Definition of the variables considered in the assessment

- Potential magnitude: the potential impact the risk could have in financial terms. For risks, the parameters recorded in the ERM were used. Meanwhile, for opportunities, a benchmark performance indicator was chosen to calculate the magnitude of the opportunity for different scenarios.

- Reputational magnitude: considered for risks only; the potential impact the reputational risk could have.

- Probability of the risk or opportunity: likelihood of the risk or opportunity occurring, assessed using qualitative information.

- Time horizon: when the risk is most likely to materialise (short-, medium- and long-term).

IRO-2_13

2.3.1.3. Result of the double materiality analysis

Following the assessment of the IROs linked to topics, subtopics and sub-subtopics that are potentially material for Telefónica, all the identifications and assessments were consolidated to facilitate a joint analysis of the data obtained. This approach allows for a comprehensive overview of all the IROs to avoid inconsistencies between the data. This allowed the Company to ensure that no significant information was omitted.

Furthermore, the assessments were standardised in order to:

- ensure data comparability.

- ensure that negative impacts or risks were not being underestimated or positive impacts or opportunities favoured.

Lastly, following analysis and standardisation, a uniform threshold for impact and financial materiality was set at two on a scale from one to five.

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As a result of the establishment of this threshold, the material sustainability standards (ESRS) and topics for the Group in the 2024 financial year are as follows:

ESRS thematic and material sustainability issues for Telefónica

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 work-related 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

The material IROs for the Company, as well as their current and anticipated effects, are listed in each of the material standards together with information on where they occur within the value chain, the specific activities and the time horizon. These standards also specify how the company has responded to these IROs through action plans, objectives, and associated metrics. No specific industry standard has been identified.

Resilience of the business model

Telefónica operates in a rapidly changing social, political, economic and business environment. It must constantly adapt to technological and regulatory changes as well as evolving customer preferences. To this end, Telefónica annually reviews its business strategy and updates it, normally, in the medium term. This period can

change depending on different circumstances in Telefónica's context. The Group has mechanisms to:

- Maintain the necessary flexibility to address potential strategic risks that cannot be directly controlled (e.g. the macroeconomic or geopolitical environment).

- Identify, control and mitigate operational and business risks, ensuring the resilience of its business model (e.g. cybersecurity or regulatory, technological or competitive environments).

- Capitalise on the new business opportunities arising from changes in demand and technological developments (e.g. the development of new services or business models).

Within this volatile and changing environment, Telefónica has a comprehensive risk management

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[1] Topic included by Telefónica.

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model based on international standards that covers from strategic to operational risks. The procedure for identifying and managing risks involves all company employees, with the Audit and Control Committee responsible for supervision.

2.3.2. Linking material impacts to the strategy and the business model

SBM-3_05

The impacts have been identified and assessed based on their connection with Telefónica's strategy and business model, details of which are provided in the Strategy chapter. This relationship helps us understand how material impacts influence the Company's operations, value proposition and ability to achieve strategic goals.

The IRO tables for material standards outline the impacts associated with the strategy (Transform the customer relationship, Transform the operational model, Transform and commit to long-term value) and the business model (Deployment, operation, and maintenance of networks; Development and packaging of products and services; Relationships with customers and other stakeholders). Below is a description of how these impacts are connected:

	Business model	Strategy
Climate change	Deployment, operation and maintenance of networks: Telefónica's business model is built on providing continuous connectivity through networks and infrastructure that consume energy. E1_IN01, E1_IN02, E1_IN03, E1_IN04	Transform the customer relationship: The Company develops products and services that help reduce its customers' emissions. E1_IP02 Transform the operational model: The Group prioritises renewable energy sources and implements energy efficiency initiatives. E1_IP01
Circular economy	Deployment, operation and maintenance of networks; Development and packaging of Products and Services: Telefónica generates and manages the waste resulting from its operations. E5_IN01	No material impacts linked to strategy have been identified.
Personal propio	Deployment, operation and maintenance of networks; Development and packaging of Products and Services; Relationship with customers and other stakeholders: The Company maintains a large in-house workforce with diverse backgrounds, training and experience, who need to work in stable and safe environments. S1_IN02	Transform and commit to long-term value: The Group develops practices that prioritise employee well-being, enhance their capabilities and skills and promote diversity, work-life balance and social dialogue. S1_IN01, S1_IP01, S1_IP02, S1_IP04, S1_IP06
Workers in the value chain	Deployment, operation and maintenance of networks; Development and packaging of Products and Services; Relationship with customers and other stakeholders: Telefónica's activity requires a global network of suppliers and franchisees, each with its own workforce, operating under different regulatory frameworks. S2_IN02, S2_IN03, S2_IN04	Transform and commit to long-term value: The Company applies due diligence measures to ensure sustainable management across its value chain, mitigating impacts and upholding human rights, particularly labour rights. S2_IN01, S2_IP01, S2_IP02
Consumers and end-users	Deployment, operation and maintenance of networks; Development and packaging of Products and Services: Telefónica's network deployment and product portfolio aim to meet the needs of the majority of the population. To this end, it offers accessible, affordable connectivity services to promote digital inclusion. S4_IN04, S4_IP02 Relationship with customers and other stakeholders: Telefónica develops long-term relationships with its customers and users based on trust, with a special emphasis on privacy and data protection. S4_IN01	Transform the customer relationship: The Company implements sustainability criteria in the design and management of its portfolio of products and services. It also fosters the entrepreneurial ecosystem by investing in innovation and incubation centres. S4_IN02, S4_IN03, S4_IP03 Transform and commit to long-term value: The Group contributes to the economic and social development of the communities where it operates. S4_IP01
Business conduct	Deployment, operation and maintenance of networks; Development and packaging of Products and Services; Relationship with customers and other stakeholders: The Group's business model requires high security standards, which are integrated from the design stage of networks and services. G1_IN05, G1_IN06, G1_IN07, G1_IP01 Its dependence on a global network of suppliers makes it necessary to implement sustainability criteria. G1_IN08	Transform and commit to long-term value: Telefónica advocates for governance rooted in accountability, legal compliance, zero tolerance for corruption and bribery, fair competition and transparency in activities that contribute to a fairer regulatory framework for the telecommunications sector. G1_IN02 The Group promotes an internal culture based on sustainability. G1_IN01

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2.3.3. Current financial effects of material risks and opportunities

SBM-3_08

The current significant financial effects of the material risks and opportunities for the Company that occurred in 2024 are detailed in each of the corresponding standards alongside the action plans.

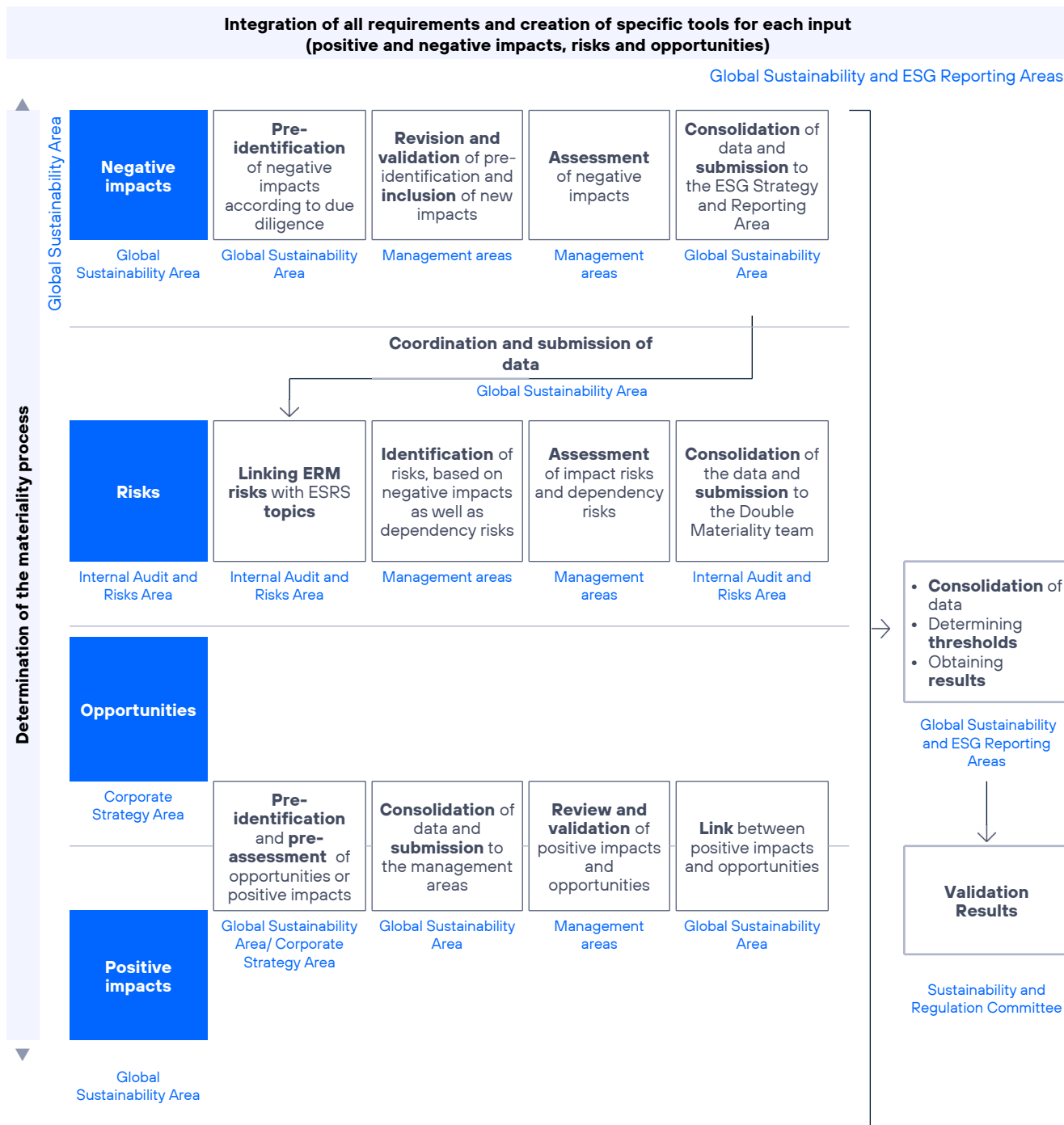- Climate Change: section 2.9.3.2. Action plans – Financial effects of climate risks and opportunities.

- Circular Economy: section 2.10.1.2. Action Plans – Financial effects of circular economy risks and opportunities.

- Consumers and end-users: section 2.13.3. Action plans, metrics and targets - A) Privacy - Metrics and financial effects.

- Business conduct: section 2.14.4.1. Prevention and detection of corruption or bribery.

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2.3.4. Decision-making process and internal control

IRO-1_11

Telefónica has followed an internal process involving all the relevant areas for the topics that have been subject to the identification, assessment and validation of IROs.

The following table shows this process:

Integration of all requirements and creation of specific tools for each input (positive and negative impacts, risks and opportunities)

Global Sustainability and ESG Reporting Areas

Determination of the materiality process

Global Sustainability Area

Negative impacts
Global Sustainability Area

Pre-identification of negative impacts according to due diligence
Global Sustainability Area

Revision and validation of pre-identification and **inclusion** of new impacts
Management areas

Assessment of negative impacts
Management areas

Consolidation of data and **submission** to the ESG Strategy and Reporting Area
Global Sustainability Area

Coordination and submission of data
Global Sustainability Area

Risks
Internal Audit and Risks Area

Linking ERM risks with ESRS **topics**
Internal Audit and Risks Area

Identification of risks, based on negative impacts as well as dependency risks
Management areas

Assessment of impact risks and dependency risks
Management areas

Consolidation of the data and **submission** to the Double Materiality team
Internal Audit and Risks Area

- **Consolidation** of data
- Determining **thresholds**
- Obtaining **results**

Global Sustainability and ESG Reporting Areas

Opportunities
Corporate Strategy Area

Pre-identification and **pre-assessment** of opportunities or positive impacts
Global Sustainability Area/ Corporate Strategy Area

Consolidation of data and **submission** to the management areas
Global Sustainability Area

Review and validation of positive impacts and opportunities
Management areas

Link between positive impacts and opportunities
Global Sustainability Area

Validation Results

Sustainability and Regulation Committee

Positive impacts
Global Sustainability Area

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Given the increasing importance of transparency and reliability in sustainability reporting, in 2019, Telefónica initiated a project to strengthen its Internal Control over Sustainability Reporting (ICSR) System, in accordance with the international internal control standards established by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

A key priority of this project is to review and reinforce internal controls in the IRO determination and assessment process, as this is essential for defining the Company's material information.

Therefore, this process is supported by various control mechanisms:

- Group Internal Control Policy: defines the criteria of Telefónica's Corporate Internal Control Model, applicable to all entities that make up the Group.

- Corporate Regulations on the Registration, Communication and Control of Financial and Sustainability Information: describes the phases of the sustainability report, including the double materiality analysis process.

- Sustainability reporting instructions: define the procedures and methodology for identifying and assessing the IROs.

- RACI matrix: specifies the areas involved in the process of identifying and assessing IROs, as well as their respective roles.

- Digitalisation of double materiality: a tool has been used to identify and assess IROs, which contributes to the consolidation and traceability of the results.

Furthermore, during the implementation and definition of the double materiality analysis, Telefónica has worked on the initial establishment of the end-to-end process for determining and assessing IROs. Due to its complexity and early development stage, the Company will continue enhancing internal controls in the future by identifying risks and designing additional safeguards.

2.3.5. Disclosure requirements covered in this report

IRO-2_01, IRO-2_02

The disclosure requirements covered in the Sustainability Report, following the outcome of the double materiality assessment, as well as the datapoints in common with other EU legislation, are set out in:

🔗 2.6. Datapoints that derive from other EU legislation

🔗 2.7. Disclosure requirements addressed

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2.4. Governance

2.4.1. Introduction

Telefónica has a Corporate Governance System that sets out the governance processes, controls and procedures for controlling, managing and supervising sustainability issues. In this regard, the Company's code of ethics and conduct called the Responsible Business Principles constitutes, as a whole, its Sustainability Policy and serves as the basis for acting and making decisions with integrity, commitment and transparency.

In relation to sustainability matters, Telefónica aspires to play a major role in the communities in which it is present, internalising the impacts of its activities on society and the environment in its strategy and the way it operates. Its aim in this regard is to make the world more human by connecting people's lives; this entails contribute to generating a positive impact through its products and services and taking great care to minimise any negative impact that its activities may cause. Ultimately, it is about being an ethical and responsible company, and Telefónica's strategy and governance reflect that goal.

Sustainability is managed at the Company in a cross-cutting manner, in which the main administrative, management and supervisory bodies, and the areas involved in sustainability (local and corporate) at the Telefónica Group are joint participants.

2.4.2. The role of the administrative, management and supervisory bodies

2.4.2.1. Composition and diversity of the Board of Directors and its Committees

At December 31, 2024, the Board of Directors of Telefónica, S.A. was made up of 14 Directors.

At that date the Board of Directors had an Executive Committee and three advisory or supervisory Committees (the Audit and Control Committee, the Nominating, Compensation and Corporate Governance Committee and the Sustainability and Regulation Committee).

The composition of the Board of Directors of Telefónica, S.A. at December 31, 2024 was as follows:

	Board of Directors	
Name	Post	Type
Mr. José María Álvarez-Pallete López	Chairman	Executive
Mr. Isidro Fainé Casas	Vice-Chairman	Proprietary
Mr. José María Abril Pérez	Vice-Chairman	Proprietary
Mr. Ángel Vilá Boix	Chief Operating Officer (C.O.O.)	Executive
Ms. María Luisa García Blanco	Member	Independent
Mr. Peter Löscher	Member	Independent
Mr. Carlos Ocaña Orbis	Member	Proprietary
Ms. Verónica Pascual Boé	Member	Independent
Mr. Francisco Javier de Paz Mancho	Member	Other external
Mr. Alejandro Reynal Ample	Member	Independent
Mr. Francisco José Riberas Mera	Member	Independent
Ms. María Rotondo Urcola	Member	Independent
Ms. Claudia Sender Ramírez	Member	Independent
Ms. Solange Sobral Targa	Member	Independent

In relation to the composition of the Board of Directors, it is hereby stated that On January 18, 2025, the Board of Directors of Telefónica, S.A. approved the termination of the contract signed with Mr. José María Álvarez-Pallete López as Executive Chairman, and the appointment of Mr. Marc Thomas Murtra Millar as Director by cooptation and as Executive Chairman of the Board of Directors of Telefónica, S.A. (see Note 31 of the 2024 Consolidated Financial Statements).

Likewise, the Board of Directors of Telefónica, S.A., at its meeting held on January 29, 2025, resolved, with the abstention of the Executive Directors and upon proposal of the Nominating, Compensation and Corporate Governance Committee, to appoint the Independent Director, Mr. Peter Löscher as Lead Independent Director.

GOV-1_01, GOV-1_02, GOV-1_07

As regards the composition of the Board of Directors by category, at December 31, 2024, Telefónica had 2 executive Directors (14%) and 12 non-executive Directors (86%), of which three were proprietary directors (21%), eight were independent directors (57%) and one was defined as other external (7%).

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GOV-1_03

Telefónica's employees do not have a representative on the administrative, management and supervisory bodies of the Company.

The composition of the Committees of the Board of Directors of Telefónica, S.A. at December 31, 2024 is shown below:

Name	Executive Committee
	Post
Mr. José María Álvarez-Pallete López	Chairman
Mr. Isidro Fainé Casas	Vice-Chairman
Mr. José María Abril Pérez	Vice-Chairman
Mr. Ángel Vilá Boix	Chief Operating Officer (C.O.O.)
Mr. Peter Löscher	Member
Mr. Carlos Ocaña Orbis	Member
Mr. Francisco Javier de Paz Mancho	Member
Ms. Claudia Sender Ramírez	Member

In relation to the composition of the Executive Committee, it is hereby stated that on January 18, 2025, the Board of Directors of Telefónica, S.A. approved the termination of the contract signed with Mr. José María Álvarez-Pallete López as Executive Chairman, and the appointment of Mr. Marc Thomas Murtra Millar as Director by cooptation and as Executive Chairman of the Board of Directors of Telefónica, S.A., and, consequently, as Chairman of the Executive Committee.

Name	Audit and Control Committee
	Post
Ms. María Luisa García Blanco	Member
Mr. Peter Löscher	Member
Mr. Carlos Ocaña Orbis	Member
Ms. María Rotondo Urcola	Member

In relation to the composition of the Audit and Control Committee, on January 29, 2025, the Audit and Control Committee resolved the appointment of the Independent Director Ms. María Luisa García Blanco as Chairwoman of said Committee.

Name	Nominating, Compensation and Corporate Governance Committee
	Post
Mr. Peter Löscher	Chairman
Ms. María Luisa García Blanco	Member
Mr. Francisco Javier de Paz Mancho	Member
Ms. Verónica Pascual Boé	Member

Name	Sustainability and Regulation Committee
	Post
Mr. Francisco Javier de Paz Mancho	Chairman
Mr. José María Abril Pérez	Member
Ms. María Luisa García Blanco	Member
Ms. María Rotondo Urcola	Member
Ms. Solange Sobral Targa	Member

In addition, it must be noted that the Vice-Chairman and Lead Independent Director Mr. José Javier Echenique Landiríbar also held the posts of Chairman of the Audit and Control Committee, member of the Executive Committee and member of the Nominating, Compensation and Corporate Governance Committee until his decease on December 15, 2024.

Diversity of Telefónica's Board of Directors

GOV-1_05, GOV-1_06

Telefónica is characterised by the diverse composition in terms of gender, age, nationality, international experience, expertise and professional skills of its Board members.

The diversity of the members of the Board of Directors and the Committees in terms of gender, age range and nationality is shown below:

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GOV-1_04

Diversity in terms of gender

	Gender		Gender diversity ratio[1]
	Men (%)	Women (%)	
Board of Directors	64%	36%	0.56
Executive Committee	88%	13%	0.14
Audit and Control Committee	50%	50%	1.00
Nominating, Compensation and Corporate Governance Committee	50%	50%	1.00
Sustainability and Regulation Committee	40%	60%	1.50

Diversity in terms of age range

	Age group		
	Over 50 (%)	30 to 50 (%)	Under 30 (%)
Board of Directors	79%	21%	—
Executive Committee	75%	25%	—
Audit and Control Committee	75%	25%	—
Nominating, Compensation and Corporate Governance Committee	75%	25%	—
Sustainability and Regulation Committee	100%	—	—

Diversity in terms of nationality

	Nationality		
	Spanish (%)	Brazilian (%)	Austrian (%)
Board of Directors	79%	14%	7%
Executive Committee	75%	13%	13%
Audit and Control Committee	75%	—	25%
Nominating, Compensation and Corporate Governance Committee	75%	—	25%
Sustainability and Regulation Committee	80%	20%	—

On the other hand, the members of the Board of Directors of Telefónica, S.A., as a whole, have knowledge and professional experience in different matters, areas and sectors related to the Telefónica Group. Likewise, the Company's Directors have, as a whole, international experience in those countries and regions where Telefónica is present.

2.4.2.2. Operation of the administrative, management and supervisory bodies

The Board of Directors of Telefónica, S.A. is the highest management and representative body of the Company. It is therefore authorised to carry out, within the scope of the corporate purpose established in the Company's By-Laws, any acts or legal transactions of administration and disposition of property, upon any legal title, except for those acts or transactions which are reserved by law or by the By-Laws exclusively to the General Shareholders' Meeting.

The Board of Directors is basically configured as a supervising and controlling body, with the day-to-day management of the Company's affairs being entrusted to the management decision-making bodies and the management team.

Both the By-Laws and the Regulations of the Board provide for the existence of an Executive Committee of the Board of Directors with general decision-making powers and, therefore, with an express delegation of all powers of the Board of Directors (other than those that may not be delegated under the law or the By-Laws), as well as for the existence of an Audit and Control Committee and a Nominating, Compensation and Corporate Governance Committee.

In addition, the Regulations of the Board empower the Board of Directors to establish one or more advisory or monitoring Committees, in addition to those mentioned above, entrusted with the examination and permanent monitoring of some area that is particularly relevant for the proper governance of the Company or for the specific review of some aspect or issue for which the significance or degree of importance makes this appropriate. These Committees report to the Board of Directors regarding the conclusions reached on the issues or matters that they have been entrusted to review.

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[1] The total average gender diversity of the Board of Directors is calculated as an average proportion of the number of women who are members of the Board compared to the number of men.

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Functions and responsibilities of the Board of Directors and of the Committees of the Board of Directors

GOV-1_08, GOV-1_09

In accordance with Article 5 of the Regulations of the Board of Directors, the Board of Directors is the body responsible for determining the general policies and strategies of the Company.

The Board of Directors is responsible, in particular and among other issues, for approving the Strategic Plan, the management goals and the Corporate Social Responsibility and Sustainability Policy, for determining the Policy for the Control and Management of Risks, including tax risks, and for supervising the internal information and control policies.

In this respect, it is also the body that approves the Group's Responsible Business Principles and the Responsible Business Plan, which make up, respectively, the ethical framework and the roadmap for sustainability, as stated earlier. It is also responsible for approving all the relevant policies and regulations on this subject. See section:

🔗 2.15. Policies

The Sustainability and Regulation Committee conducts monitoring, among other aspects, of the implementation of the Responsible Business Plan at its monthly meetings. Additionally, it performs permanent monitoring of the main sustainability issues; it receives reports on the double materiality results and the impacts, risks and opportunities identified, and it supervises the strategies, policies and impact analyses linked to the responsible business strategy, both from a business perspective and from the perspective of the impact on society, and in particular human rights and the environment, as well as the legal modifications, recommendations and best business practices.

In addition, the two other Board Committees also play a significant role in terms of sustainability, in the following respects:

- The Audit and Control Committee supervises and assesses the process of preparing, submitting and ensuring the integrity of the financial and sustainability information, and supervises the effectiveness of the internal control and risk management system (including sustainability risks).

- The Nominating, Compensation and Corporate Governance Committee supervises the variable remuneration systems of the Directors and senior executive officers, which comprise, among other aspects, objectives linked to sustainability.

The functions of the Sustainability and Regulation Committee therefore include:

- Reporting to the Audit and Control Committee on sustainability risks and the process of preparing, presenting and ensuring the integrity of sustainability information.

- Informing the Nominating, Compensation and Corporate Governance Committee about the sustainability-related indicators of the Directors' and senior executive officers' variable remuneration systems, in order to facilitate their better contribution to the Company's sustainability strategy and long-term interests.

Additionally, the Regulations of the Board of Directors of the Company stipulate that the primary duty of the Audit and Control Committee is to support the Board of Directors in its supervisory duties, and specifically, among other tasks, it has the following sustainability-related powers and duties:

- Supervise the efficiency of the systems for the control and management of financial and non-financial risks relating to the Company and the Group (including operational, technological, legal, social, environmental, political and reputational risks and corruption-related risks).

- Supervise the risk control and management unit, which shall perform the following duties:

  - Ensure the successful operation of the risk control and management systems, and particularly ensure that all material risks affecting the Company are properly identified, managed and quantified.

  - Actively participate in preparing the risk strategy and in important decisions regarding the management thereof.

  - Endeavour to ensure that the risk control and management systems successfully mitigate risks within the framework of the policy determined by the Board of Directors.

Management's role in the governance processes, controls and procedures

GOV-1_10, GOV-1_11, GOV-1_12, GOV-1_13

At management level, and as an antechamber to the Board of Directors and its Committees, Telefónica has an Executive Committee which twice a month brings together the key individuals responsible for the management of all areas of the Company.

Specifically, at December 31, 2024, this Committee was made up of the Executive Chairman, the Chief Operating Officer, the main individuals responsible for the corporate areas of Corporate Affairs and Sustainability, Finance, Strategy, People, Technology and General Secretariat, as well as the principal figures responsible for the local business units.

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Its multi-disciplinary composition makes it possible to address the various issues with a cross-cutting and business-based vision. As regards sustainability, these issues include:

– The monitoring of the Responsible Business Plan and the sustainability-linked performance objectives set (including those relating to remuneration).

– Supervision of the status of the reporting and control processes relating to sustainability information.

– Analysis of materiality for the Group (impacts, risks and opportunities).

Additionally, the Internal Audit area carries out the following control functions, reporting directly to the Audit and Control Committee:

– It coordinates the design and implementation activities of the internal control structures of the end to end processes for the preparation and reporting of sustainability information.

– It reviews the conceptual definition and implementation of internal control structures for sustainability information in accordance with the audit plan and applicable standards.

– It promotes the internal control culture with the management areas responsible for key data required for sustainability information.

– It establishes and maintains a program of systematic audits of source data and of the process of preparing the sustainability information through design and operational audits of internal control structures under construction or already in place.

– It prepares communications and presentations to the Audit and Control Committee.

– It prepares and communicates to the Audit and Control Committee the Internal Audit plan related to sustainability issues related to the reporting aspects of sustainability information.

Telefónica's Compliance Department is the area responsible for regularly reporting, through the Chief Compliance Officer, to the Company's Audit and Control Committee on the main aspects of the Telefónica Group's compliance program, see section:

🔗 2.14.4. Compliance

GOV-1_14

As previously mentioned, the Board of Directors is responsible for approving the Group's Responsible Business Principles and the Responsible Business Plan, which make up, respectively, the ethical framework and the roadmap for sustainability.

In addition, the Committees of the Board of Directors (the Sustainability and Regulation Committee, the Audit and Control Committee and the Nominating, Compensation and Corporate Governance Committee) support the Board in its task of supervising sustainability management.

In this respect, the Board of Directors and its Committees regularly assess the Group's performance in sustainability-related areas. This is done, on the one hand, through the Sustainability and Regulation Committee's supervision of the implementation of the Responsible Business Plan at its monthly meetings, and on the other, through the participation at the sessions, on a regular basis, of the areas of the Company that manage sustainability, which are those that take on the implementation of the targets of the Responsible Business Plan and generate and manage quantitative or qualitative indicators of this type as they fall under their responsibility.

In addition, and given the importance of this issue for the Group, some of the most significant targets of the Responsible Business Plan are part of the objectives set to determine the variable remuneration of its employees.

2.4.2.3. The expertise and skills of the administrative, management and supervisory bodies on sustainability matters and access to such expertise and skills

GOV-1_15, GOV-1_16

Telefónica S.A. has a Diversity Policy in relation to the Telefónica, S.A. Board of Directors and the Selection of Directors, which ensures that the Director selection procedures are based on prior analysis of the competencies required by the Board of Directors and favour diversity in terms of knowledge (which includes sustainability), training, professional experience, age and gender, and candidates are free of any implicit bias entailing any kind of discrimination.

This is all to ensure that the composition of the Board of Directors is appropriate, diverse and balanced overall, so that it i) enriches analysis and debate, ii) contributes diverse perspectives and positions, iii) favours decision making that takes into account the nature and complexity of the business, as well as the social and environmental context, iv) enjoys the greatest independence, and v) makes it possible to meet the legal requirements and good governance recommendations in relation to the composition and suitability requirements that the members of the various internal supervisory Committees of the Board of Directors must meet.

Furthermore, the Director candidate selection process begins with prior analysis of the competencies required by the Board of Directors. This analysis is conducted by the Company's Board of Directors, with the advice and

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following a report or proposal, where appropriate, from the Nominating, Compensation and Corporate Governance Committee.

The Board of Directors and the Nominating, Compensation and Corporate Governance Committee, within the scope of their respective powers, ensure that the candidates chosen are persons of recognised calibre, qualifications and experience, who are willing to devote the necessary time and effort to their duties, and they must take extreme care in the selection of the persons to be appointed as independent Directors.

In relation to this, all the candidates for Director shall be professionals of integrity, whose conduct and professional career is aligned with Telefónica's Responsible Business Principles.

Individuals with training and professional experience in telecommunications, technology, consumer insights, sustainability, marketing, accounting, auditing and risk management are taken particularly into account as candidates for the post of Director. International experience and team leadership in multinationals will be valued.

Additionally, and in order to comply with the recommendation of the Good Governance Code of Listed Companies and also with the Comisión Nacional del Mercado de Valores (CNMV) Technical Guide on Nomination and Appointment Committees and the Technical Guide on Audit Committees at Public-Interest Entities, Telefónica offers all the members of the Board of Directors continuous training and refresher programs on those aspects that are particularly important to the performance of their duties.

Specifically, in recent years, training and information sessions have been imparted to the members of the Board of Directors and the Board Committees by external consultants and internal teams, with a particular focus on areas related to Sustainability and including diversity and inclusion, the European taxonomy, climate change, ESG-related regulatory aspects and benchmarks, cybersecurity and technological risks, Artificial Intelligence and the Telefónica Group's Risk Management Model.

The Company also has a process in place for the onboarding of new Directors, who are provided with an induction pack containing relevant information about the Company, in order to offer the necessary support to new members of the Board of Directors or its Committees. This enables them to quickly gain a thorough understanding of the Company and its Group, so that they can actively perform their duties as soon as they are appointed. Each year, the Directors also receive the Company's Code of Ethics (Responsible Business Principles).

GOV-1_17

In short, the current structure and composition of the Company's Board of Directors and its Committees maintains an appropriate balance of skills, knowledge and experience, among others, in sustainability.

In this regard, it should be noted that the current skills and knowledge possessed overall by the Company's Board of Directors contribute to a multi-faceted vision. This makes it possible to facilitate the identification of impacts, risks and opportunities and, as a result, the achievement of the corporate targets.

2.4.3. Information provided to the Company's administrative, management and supervisory bodies addressing sustainability matters

2.4.3.1. Areas entrusted with reporting to the Board of Directors and to the Board's Committees on sustainability matters

GOV-2_01

With regard to sustainability issues, the Global Sustainability (ESG) Office is the area responsible for reporting on a monthly basis to the Sustainability and Regulation Committee and, when appropriate, to the Audit and Control Committee and the Company's Board of Directors. It is also the area responsible for monitoring and coordinating sustainability issues, which include, among others, the sustainability strategy (Responsible Business Plan, which details actions, monitoring metrics and objectives), 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.

In addition, other areas of the Company manage or support functions related to sustainability and can also report, together with the Global Sustainability (ESG) Office, to the Sustainability and Regulation Committee. These areas include, at least, those under Corporate Affairs and Sustainability, Finance and Control, General Secretary and Regulation, Strategy and Development, People and Technology and Information.

2.4.3.2. How the Board of Directors and the Board Committees consider impacts, risks and opportunities in their supervisory and decision-making role

GOV-2_02, GOV-2_03

The way that the Board of Directors and the Board Committees consider impacts, risks and opportunities is essential in order to supervise the Company's strategy.

In this respect, the Sustainability and Regulation Committee, as an informational and advisory Committee

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of the Board of Directors, supervises and reviews the strategies and policies of the Company's Responsible Business Plan, which includes environmental and social subjects, ensuring that they meet stakeholder expectations and deliver on value creation, and proposes to the Board of Directors that they be updated and modified where necessary.

Likewise, the Sustainability and Regulation Committee supervises the impact analyses linked to the Responsible Business strategy and reputation. This Committee also analyses, promotes and supervises the Telefónica Group's sustainability targets, action plans and practices, including aspects such as ethical behaviour, human rights, the environment and climate change, responsible management of the supply chain, digital trust and the responsible use of technology, talent and diversity, responsibility towards customers, ethical and sustainable products and services, and inclusive connectivity, as well as other issues identified as risks or opportunities in terms of sustainability.

Additionally, the Sustainability and Regulation Committee reports to the Audit and Control Committee on sustainability risks, among other duties.

Over the course of the meetings held in 2024, the Sustainability and Regulation Committee assessed, among other aspects, the major sustainability issues, including the implementation of the Responsible Business Plan.

During this period, the Company identified the list of impacts, risks and opportunities of the Telefónica Group, which is described in this report in 2.3. Double Materiality.

In this respect, in 2024, the Sustainability and Regulation Committee analysed the double materiality process conducted internally, which has also been reported to the Audit and Control Committee, enabling it to identify which standards and sustainability matters (topics, sub-topics and sub-subtopics) are material for Telefónica and which must be taken into account in sustainability information reporting. Additionally, the aforementioned Committees were informed in detail of the list of topics, sub-topics and sub-subtopics that were examined to identify and assess the impacts, risks and opportunities for the Telefónica Group.

It must be noted that some members of the Sustainability and Regulation Committee are also members of the Audit and Control Committee. The presence of some Directors on both Committees and the reporting by the Chairman of the Sustainability and Regulation Committee, Mr. Francisco Javier de Paz Mancho, at the Board of Directors' meetings about the

main issues dealt with at the respective sessions, ensures that the most significant sustainability matters are taken into account in the deliberations of the Board of Directors, therefore enabling better identification of the impacts, risks and opportunities associated with those matters.

2.4.4. Integration of sustainability-related performance into incentive schemes

GOV-3_01, GOV-3_04

The design of the variable remuneration, which seeks to encourage attainment of the Company's short- and long-term targets, is in line with its strategy through:

- Operating Revenues objective for short-term variable remuneration and the commitment of long-term value creation for shareholders contained in the TSR metric for long-term variable remuneration. In addition to the above, customer trust, measured through the NPS, is taken into account.

- EBITDA objective for short-term variable remuneration and CO_2 emissions reduction targets.

- Sustainability, both in the financial dimension and from the ESG perspective:

  – Financial: growth in generation of Free Cash Flow included for both short-term and long-term variable remuneration.

  – ESG: through the target percentage of female managers. In this regard, it has been included in long-term and short-term variable remuneration.

Regarding executives' short-term variable remuneration, 20% is linked to sustainability objectives, all of which are predetermined, specific and quantifiable, and set and strictly assessed by the Nominating, Compensation and Corporate Governance Committee, which also monitors the objectives to ensure their alignment with Telefónica's corporate interests.

GOV-3_02

The variable remuneration of Telefónica's executives is comprised of:

- A short-term incentive, which aims to reward the achievement of a combination of financial, business-based operative objectives and ESG objectives that are predetermined, specific and quantifiable and aligned with Telefónica's strategic targets.

The metrics linked to short-term variable remuneration are outlined below:

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Metrics	Weighting (%)	Payout levels (% of target)			% of maximum weighted payment
		Minimum	Target	Maximum	
Financial targets (80%)					
Free Cash Flow	30%	50%	100%	140%	42.00%
EBITDA	25%	50%	100%	125%	31.25%
Operating revenues	25%	50%	100%	125%	31.25%
ESG targets (20%)					
NPS	10%	50%	100%	125%	12.50%
Gender equality - % women in executive positions	5%	50%	100%	125%	6.25%
Climate Change - GHG Emissions	5%	50%	100%	125%	6.25%
	100%				**129.50%**

- A long-term incentive, which seeks to foster the executives commitment to the Company and its strategy, linking their remuneration to value creation for shareholders as well as the sustainable achievement of strategic objectives, so that it is aligned with best practices in terms of remuneration.

The Long-Term Incentive Plan, approved by the General Shareholders' Meeting in 2024 (See Note 27 of the 2024 Consolidated Financial Statements), has a total duration of five years and is divided into three cycles (each one being independent of the others), each with a duration of three years (First Cycle 2024-2026, Second Cycle 2025-2027 and Third Cycle 2026-2028).

The metrics linked to long-term variable remuneration are detailed below:

Metrics	Weighting (%)	Company results	Incentive to be accrued (%)
Relative TSR	50%	75th percentile or higher	100%
		Median	30%
		Below the median	−%
Free Cash Flow	40%	115% achievement	150%
		100% achievement	100%
		92% achievement	50%
		Below 92% achievement	−%
Neutralisation of CO$_2$ emissions Scope 1+2	5%	100% achievement	100%
		90% achievement	50%
		Below 90% achievement	−%
Gender equality - women in executive positions	5%	100% achievement	100%
		90% achievement	50%
		Below 90% achievement	−%

GOV-3_03, GOV-3_05

Short-term variable remuneration is 20% made up of metrics linked to sustainability objectives, which are explained below:

- Customer trust - 10%
  NPS is the metric used to measure customer satisfaction and experience and the likelihood that they would recommend products and services. It is constructed from the question included in customer surveys "How likely would you be to recommend

Movistar/O2/Vivo services to a family member, friend or colleague? (On a scale of 1 to 10, where 1 means you would not recommend and 10 means you would recommend)". Those rating 9 and 10 are considered promoters, and those rating 1 to 6 are considered detractors.

NPS = % Promoters - % Detractors.

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The Group's Global NPS is calculated based on the results obtained in Spain, Germany, Brazil and Hispam operations.

- Climate change – 5%:
Greenhouse Gas (GHG) emissions is the metric used to measure environmental impact. It is measured through direct and indirect CO_2 emissions from Telefónica's daily activity. CO_2 emission = Activity Data x Emission Factor:

  – Activity data: the amount of energy, fuel, gas, etc., consumed by the Group.

  – Emission Factor: the amount of CO_2 emitted into the atmosphere by the consumption of each activity unit.

For electricity, the emission factors included in the IEA Emission Factors (2024) report of the International Energy Agency and local official sources (ministries of energy or environment) of each country are used. For fuels, emission factors from the GHG Protocol, IPCC (UN Intergovernmental Panel on Climate Change) and carbon footprint reporting tools provided by the ministries of the different countries are used. Constant emission factors are used for the annual remuneration in order to avoid variations due to causes beyond the Company's control.

- Gender equality – 5%:
The percentage of women executives at the Telefónica Group is the metric used to measure the target related to gender equality. It is measured based on the total number of Telefónica Group executives in the workforce at the end of December. The group of executives is defined according to the criteria and processes determined by the People area. Prior to validation by the Nominating, Compensation and Corporate Governance Committee, proposals for appointments to this group are validated, on a monthly basis, by a Transparency and Diversity Committee made up of the Chairman and four Executive Committee members, to contribute to compliance with the transparency and gender equality measures and policies established.

Long-term variable remuneration is 10% made up of metrics linked to sustainability objectives, which are explained below:

- Climate change – 5%:
Following the same line as in the short term, but for this part of the incentive to be paid, it is additionally necessary to achieve a minimum levels of Scope 1 + 2 emissions reductions, in line with the 1.5°C scenario of the Paris Agreement (SBTi). This is all aimed at achieving net zero emissions by 2040 and supporting activities that mitigate climate change in an amount

equivalent to the Scope 1 + 2 emissions of its main markets from 2025 onwards.

In accordance with Telefónica's Climate Action Plan and SBTi recommendations, carbon credits from reduced emissions from deforestation and degradation will also be eligible. This information is verified annually by an external verifier.

- Gender equality – 5%:
The percentage of women executives at the Telefónica Group is the metric used to measure the target related to gender equality. It is measured based on the total number of Telefónica Group executives in the workforce at the end of December, maintaining the same criteria and processes used for short-term variable remuneration.

GOV-3_06

The design of the variable remuneration within the Remuneration Policy as well as the setting of the targets, their assessment, auditing and payment, are subject to a strict governance system, with payment also subject to Malus and Clawback clauses.

The General Shareholders' Meeting approves Telefónica's Remuneration Policy, which contains the main characteristics of the variable remuneration of the executives at the Company, at least every three years as a separate item on the agenda.

The Board of Directors approves the design, target amounts, degree of achievement of the objectives and amounts of the incentive to be accrued, where appropriate, for short-term variable remuneration and long-term variable remuneration, based on a proposal from the Nominating, Compensation and Corporate Governance Committee.

The Nominating, Compensation and Corporate Governance Committee proposes the objectives to the Board of Directors at the start of each measurement period and assesses the achievement of the objectives after the measurement period has ended. In view of the fact that the accrual of variable remuneration is subject to sufficient verification that the established objectives have been effectively fulfilled, as established in recommendation 59 of the Good Governance Code, the assessment is performed on the basis of the results audited by the external auditor and the internal auditor at the Company, which are analysed, firstly, by the Audit and Control Committee, as well as the degree to which the objectives have been achieved.

2.4.5. Internal control over sustainability reporting

GOV-5_01

The Telefónica Group has an internal control model that is defined in line with the Internal Control—Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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The Group's use of this framework facilitates the recognition and validity of the Company's Internal Control system vis-à-vis third parties, such as external verifiers or supervisory bodies. In accordance with the applicable corporate governance frameworks, internal control takes into account both financial and non-financial aspects, including operational, technological, legal, social, environmental, reputational and regulatory compliance aspects.

In accordance with COSO's integrated framework, the key components of the Internal Control system are essential to ensuring it operates efficiently, effectively and in accordance with current regulations. These components are the following:

- Control environment.

- Risk assessment.

- Control activities.

- Information and communication.

- Monitoring activities.

GOV-5_02, GOV-5_03

Telefónica has a Risk Management Model, based on the 2017 COSO ERM framework guidance (Enterprise Risk Management—Integrating with Strategy and Performance), which is implemented consistently throughout the Group's main operations. The Company also has a Risk Management Policy, approved by the Board of Directors, and a Risk Management Procedure, which provides a common methodology for identifying, assessing and reporting risks consistently and effectively within the Telefónica Group.

This model considers a risk assessment through two complementary perspectives: top-down (based on a cross-cutting analysis of those matters considered material and common to most of the Group's companies) and bottom-up (based on risk self-assessment by managers).

Specifically, in relation to the risks that are directly related to the reporting of sustainability information, work is being done to develop a map of specific risks in this area, which is expected to be completed in 2025.

It is also important to highlight that since 2019 the Company has assessed, managed and monitored the risk of "Adaptation to ESG reporting requirements", defined as being the risk associated with the increased reporting requirements requested by regulators, analysts, investors, customers and other stakeholders from the Telefónica Group's various entities in ESG matters.

GOV-5_04, GOV-5_05

In accordance with the Internal Control Policy and the Regulations on the Recording, Reporting and Control of Financial and Sustainability Information, the

management areas are responsible for the internal control structures associated with the information they generate.

In addition, the Internal Audit area assesses and supervises internal control associated with sustainability reporting in accordance with the Telefónica Group's Internal Audit Plan submitted to the Audit and Control Committee, and it issues its conclusions to the management areas responsible for the processes.

These conclusions are reflected in reports that describe the findings, internal control recommendations and remediation plans, which are escalated, where appropriate, to the Board of Directors (the body ultimately responsible for the reporting), through the Audit and Control Committee.

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2.5. Due diligence

GOV-4_01

Telefónica has a due diligence process in place to identify, prevent and remedy potential or actual adverse impacts on people and the environment throughout the value chain. This process is based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, as well as other international agreements and regulations on human rights.

In line with Directive (EU) 2024/1760 on corporate sustainability due diligence, the six key elements (phases) of the due diligence process are as follows, with the involvement of affected stakeholders as a cross-cutting element:

1. Integrate due diligence into policies and management systems.

2. Identify and assess adverse impacts.

3. Prevent, mitigate and neutralise adverse impacts.

4. Monitor and assess the effectiveness of measures.

5. Communicate.

6. Remedy.

1. Integration of due diligence into policies and risk management systems

Telefónica's commitment to respecting and promoting human rights is embodied through the internal policies and procedures that make up its due diligence process, which takes into account the entire value chain.

To be more precise, the starting point of the due diligence process is the Global Human Rights Policy. This policy is based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, as well as other international human rights conventions and commitments. The policy is approved by the Board of Directors and applies to all companies within the Group. It demonstrates a commitment to human rights and establishes the general guiding principles that are the base of the Company's relationship with employees, suppliers and their workers, consumers and society in general.

The governance model is as follows:

• Board of Directors: responsible for approving the Responsible Business Plan, which includes the human rights and environmental due diligence process.

• Sustainability and Regulation Committee: oversees the implementation of the Responsible Business Plan and, therefore, the due diligence process.

• Audit and Control Committee: responsible for overseeing the risk management model – which, among other risks, includes those related to human rights – and the effectiveness of internal control, as well as the integrity of related information.

• Global Sustainability Department (ESG): responsible for developing, coordinating and monitoring the Responsible Business Plan.

• Management Areas: implement the general due diligence process (Global Sustainability Department, Human Resources, Procurement, General Council, Compliance and any other area that may be relevant depending on the subject matter).

• Local teams: involved in monitoring, target setting and continuous improvement at local level.

2. Identification and assessment of actual and potential adverse impacts

The development of Telefónica's activities may have adverse impacts on human rights and the environment. For this reason and as part of the due diligence process, there is an impact assessment procedure in place that allows the Company to regularly identify and assess potential and actual impacts. This procedure involves two kinds of assessments:

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1. Global impact assessment

Purpose	Identify the most significant human rights and environmental issues/impacts.

↓

2. Impact assessments for all operations

Purpose	Analyse whether the most significant issues/ impacts identified in the global impact assessment materialise in the Company's operations (*every six months*).

- Global impact assessments: the aim is to identify and assess potential impacts that Telefónica may cause in order to prevent and manage them. These assessments are carried out periodically at a global level by an independent external expert and with the participation of internal and external stakeholders through interviews.

- Impact assessments for all operations of Telefónica: The company periodically conducts assessments of all its business operators to analyse whether the impacts identified at a global level materialise locally.

3. Prevention, mitigation and neutralisation of adverse impacts

Action plans are established and management measures implemented to prevent and mitigate potential adverse impacts on human rights.

Below is a summary of the most notable projects and initiatives designed to prevent, mitigate and neutralise adverse impacts:

- Mandatory training on human rights for all employees through the Responsible Business Principles and Human Rights Course.

- Due diligence in the supply chain: Telefónica has a supplier management process to identify potential adverse impacts in its supply chain and manage them. This process is covered in detail in ESRS G1 - Business Conduct, in the following section:
  🔗 2.14.5. Suppliers

- Implementation of human rights by design: product managers conduct a self-assessment of new products and services through an online tool during the design phase to identify and address potential impacts on human rights, among other areas.

- Adoption of new policies and updating of existing policies related to human rights: for example, the Artificial Intelligence (AI) Governance Model Regulations.

4. Monitoring and assessment of the effectiveness of the adopted measures

Telefónica works to ensure the effectiveness of the measures adopted to prevent, mitigate and remedy human rights and environmental impacts.

To this end, the Company defines and monitors qualitative and quantitative indicators, which are included in the Responsible Business Plan. Implementation of the Plan is annually reported to the Board of Directors through the Sustainability and Regulatory Committee.

In addition, operators at local level report on basic human rights risks every six months.

5. Communication and accessibility of information

In addition to the information in this Report, Telefónica prepares a report on the due diligence process for human rights and the environment. This report, available on the corporate website, outlines key impact areas and incorporates the latest Global Impact Assessment, the due diligence process and examples of best practices. Updated information on human rights and environmental management is also available on the corporate website.

6. Remediation of adverse impacts

The Queries (Responsible Business) Channel and the Whistleblowing Channel are the mechanisms available for raising queries related to the Company's code of ethics and conduct and reporting any irregularity or act in breach of the law or internal regulations, respectively.

These channels allow stakeholders to inform the Company of any issues related to actual or potential adverse impacts on human rights and the environment that may arise in Telefónica's own operations and throughout the value chain.

They are available to all stakeholders 24/7 through institutional and commercial channels. They are available in multiple languages and support anonymous reporting, if desired.

These channels are managed in accordance with the internal procedures established in Queries Channel Management Regulations and Telefónica's Internal Information System Management Policy, respectively.

This information is covered in the following section of the Report:
🔗 2.14.3.2. Queries (Responsible Business) Channel and Whistleblowing Channel

Below is a table with cross-references to other sections of this Sustainability Report, which provide additional information on key elements of the human rights and environmental due diligence process.

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Due Diligence core elements	Section
1. Integrate due diligence into policies and risk management systems.	2.9. ESRS E1 - Climate change: 2.9.3.1. Policies 2.10. ESRS E5 - Circular Economy: 2.10.1.1. Policies 2.11. ESRS S1 - Own workforce: 2.11.2.1. Policies 2.12. ESRS S2 - Workers in the value chain: 2.12.2.1. Policies 2.13. ESRS S4 - Consumers and end-users: 2.13.2.1. Policies 2.14. ESRS G1 - Business conduct: 2.14.3.1. Policies, 2.14.4.1. Prevention and detection of corruption or bribery, 2.14.5.1. Responsible management and 2.14.6.3. Policies
2.Identify and assess actual or potential adverse impacts.	2.3. Materiality 2.9. ESRS E1 - Climate Change: 2.9.3. Impacts, risks and opportunities 2.10. ESRS E5 - Circular economy: 2.10.1. Impacts, risks and opportunities 2.11. ESRS S1 - Own workforce: 2.11.2. Impacts, risks and opportunities 2.12. ESRS S2 - Workers in the value chain: 2.12.2. Impacts, risks and opportunities 2.13. ESRS S4 - Consumers and end-users: 2.13.2. Impacts, risks and opportunities 2.14. ESRS G1 - Business conduct: 2.14.2. Impacts, risks and opportunities
3. Prevent, mitigate and neutralise adverse impacts.	2.9. ESRS E1 - Climate Change: 2.9.3.2. Action plans 2.10. ESRS E5 - Circular economy: 2.10.1.2. Action plans 2.11. ESRS S1 - Own workforce: 2.11.2.2. Engagement with employees and their representatives and 2.11.2.4. Action plans 2.12. ESRS S2 - Workers in the value chain: 2.12.2.2. Action plans and 2.12.2.4. Engagement with workers in the value chain 2.13. ESRS S4 - Consumers and end-users: 2.13.2.2. Engagement with consumers and end-users and 2.13.3. Action plans, metrics and targets 2.14. ESRS G1 - Business conduct: 2.14.3.1. Policies, 2.14.4.1. Prevention and detection of corruption or bribery, 2.14.5.1. Responsible management and 2.14.6.2. Strategy
4. Monitor and assess the effectiveness of measure.	2.9. ESRS E1- Climate change: 2.9.4.1. Targets related to the management of material IROs 2.10. ESRS E5 - Circular Economy: 2.10.2.3. Waste 2.11. ESRS S1 - Own workforce: 2.11.3.1. Targets related to the management of material IROs 2.12. ESRS S2 - Workers in the value chain: 2.12.2.2. Action plans and 2.12.2.4. Engagement with workers in the value chain 2.13. ESRS S4 - Consumers and end-users: 2.13.3. Action plans, metrics and targets 2.14. ESRS G1 - Business conduct: 2.14.3.1. Policies, 2.14.4.1. Prevention and detection of corruption or bribery, 2.14.5.1. Responsible management and 2.14.6.5. Metrics and targets
5. Communicate and provide access to information on due diligence.	2.5. Due Diligence
6. Remediate actual adverse impacts.	2.11. ESRS S1 - Own workforce: 2.11.2.3. Remediation processes and engagement channels with employees 2.12. ESRS S2 - Workers in the value chain: 2.12.2.3. Remediation processes and engagement channels with workers in the value chain 2.13. ESRS S4 - Consumers and end-users: 2.13.2.3. Remediation processes and engagement channels with consumers and end-users 2.14. ESRS G1 - Business conduct: 2.14.3.2. Queries (Responsible Business) Channel and Whistleblowing Channel 2.14.4.1.Prevention and detection of corruption or bribery - Reaction and response; and 2.14.5.1. Responsible management

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2.6. Datapoints that derive from other EU legislation

As set out in paragraph 56 of ESRS 2 (including Appendix B), below is a list of all datapoints that are derived from other EU legislation, indicating where they can be found in this Sustainability Report.

Disclosure requirement and related datapoint	Location in the Sustainability Report
ESRS 2 GOV-1 Board's gender diversity, paragraph 21 (d)	2.4.2.1. Composition and diversity of the Board of Directors and its Committees
ESRS 2 GOV-1 Percentage of board members who are independent, paragraph 21 (e)	
ESRS 2 GOV-4 Statement on due diligence, paragraph 30	2.5. Due diligence
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14	2.9.2. Strategy
ESRS E1-1 Undertakings excluded from Paris-aligned benchmarks, paragraph 16 (g)	
ESRS E1-4 GHG emissions reduction targets, paragraph 34	2.9.4.1. Targets related to the management of material IROs
ESRS E1-5 Energy consumption and mix, paragraph 37	2.9.4.2. Energy
ESRS E1-6 Gross Scope 1, 2, 3 and total GHG emissions, paragraph 44	2.9.4.3. GHG emissions
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	
ESRS E1-7 GHG removals and carbon credits, paragraph 56	2.9.4.3. GHG emissions: Carbon credits
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66	The Company is relying on transitional provision 10.4 of ESRS 1: List of Disclosure Requirements that are phased-in
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk, paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk, paragraph 66 (c).	
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67 (c).	
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities, paragraph 69	
ESRS E5-5 Non-recycled waste, paragraph 37 (d)	2.10.2.3. Waste
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	

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Disclosure requirement and related datapoint	Location in the Sustainability Report
ESRS 2- SBM3 - S1 Risk of incidents of forced labour, paragraph 14 (f)	2.11.1. Strategy
ESRS 2- SBM3 - S1 Risk of incidents of child labour, paragraph 14 (g)	
ESRS S1-1 Human rights policy commitments, paragraph 20	2.11.2.1. Policies
ESRS S1-1 Due diligence policies on issues addressed by the core International Labour Organization conventions 1 to 8, paragraph 21	
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	
ESRS S1-3 Grievance/complaints handling mechanisms, paragraph 32 (c)	2.11.2.2. Engagement with employees and their representatives
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88 (b) and (c)	2.11.3.6. Health and safety metrics
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness, paragraph 88 (e)	Transitional provision 10.4: List of disclosure requirements that are phased-in
ESRS S1-16 Unadjusted gender pay gap, paragraph 97 (a)	2.11.3.7. Remuneration metrics (pay gap and total remuneration)
ESRS S1-16 Excessive CEO pay ratio, paragraph 97 (b)	
ESRS S1-17 Incidents of discrimination, paragraph 103 (a)	2.11.3.8. Incidents, complaints and severe human rights impacts
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 104 (a)	
ESRS S2-1 Human rights policy commitments, paragraph 17	2.12.2.1. Policies
ESRS S2-1 Policies related to workers in the value chain, paragraph 18	
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 19	
ESRS S2-1 Due diligence policies on issues addressed by the core International Labour Organization conventions 1 to 8, paragraph 19	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	2.12.2.2. Action plans
ESRS S4-1 Policies related to consumers and end-users, paragraph 16	2.13.2.1. Policies
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 17	
ESRS S4-4 Human rights issues and incidents, paragraph 35	2.13.3. Action plans, metrics and targets
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws, paragraph 24 (a)	2.14.4.1. Prevention and detection of corruption or bribery
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24 (b)	

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Non-material disclosure requirements

The result of the double materiality assessment determined that the following disclosure requirements common to other EU legislations are not material for Telefónica:

SBM-1_09

ESRS 2 SBM-1: Involvement in activities related to fossil fuels, paragraph 40 (d) i

SBM-1_15, SBM-1_16

ESRS 2 SBM-1: Involvement in activities related to chemical production, paragraph 40 (d) ii

SBM-1_17, SBM-1_18

ESRS 2 SBM-1: Involvement in activities related to controversial weapons, paragraph 40 (d) iii

SBM-1_19, SBM-1_20

ESRS 2 SBM-1: Involvement in activities related to cultivation and production of tobacco, paragraph 40 (d) iv

E1-5_03

ESRS E1-5: Energy consumption and mix, paragraph 37 (b)

E1-5_18, E1-5_20, E1-5_21

ESRS E1-5: Energy consumption from fossil sources disaggregated by source (only high climate-impact sectors), paragraph 38

E1-5_10, E1-5_11, E1-5_12, E1-5_13

ESRS E1-5: Energy intensity associated with activities in high climate-impact sectors, paragraphs 40 to 43

E1-7_01

ESRS E1-7: GHG removals and carbon credits, paragraph 56 (a)

E2-4_02, E2-4_03, E2-4_04

ESRS E2-4: Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted into the air, water and soil, paragraph 28

E3.MDR-P_01-06

ESRS E3-1: Water and marine resources, paragraph 9

E3-1_07

ESRS E3-1: Dedicated policy, paragraph 13

E3-1_09

ESRS E3-1: Sustainable oceans and seas, paragraph 14

E3-4_03

ESRS E3-4: Total water recycled and reused, paragraph 28 (c)

E3-4_08

ESRS E3-4: Total water consumption in m^3 per net revenue in own operations, paragraph 29

E4.SBM-3_02, E4.SBM-3_05, E4.SBM-3_06

ESRS 2- IRO 1 - E4, paragraph 16 (a) i, (b) and (c)

E4-2_18

ESRS E4-2: Sustainable land / agriculture practices or policies, paragraph 24 (b)

E4-2_19

ESRS E4-2: Sustainable oceans / seas practices or policies, paragraph 24 (c)

E4-2_20

ESRS E4-2: Policies to address deforestation, paragraph 24 (d)

E5-5_16

ESRS E5-5: Hazardous waste and radioactive waste, paragraph 39

S2.SBM-3_04

ESRS 2- SBM3 – S2: Significant risk of child labour or forced labour in the value chain, paragraph 11 (b)

S2-1_05

ESRS S2-1: Policies related to workers in the value chain, paragraph 18

S3-1_02, S3-1_03, S3-1_04, S3-1_05

ESRS S3-1: Human rights policy commitments, paragraph 16

S3-1_06

ESRS S3-1: Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines, paragraph 17

S3-4_11

ESRS S3-4: Human rights issues and incidents, paragraph 36

G1-1_03

ESRS G1-1: United Nations Convention against Corruption, paragraph 10 (b)

G1-1_06

ESRS G1-1: Protection of whistleblowers, paragraph 10 (d)

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2.7. Disclosure requirements addressed

In accordance with paragraph 56 of ESRS 2, the following is a list of the disclosure requirements met in preparing the Sustainability Report.

ESRS	Code	Disclosure requirement	Location in the Sustainability Report
ESRS 2	BP-1	General basis for preparation of sustainability statements	2.1. Basis for preparation
ESRS 2	BP-2	Disclosures in relation to specific circumstances	
ESRS 2	SBM-1	Strategy, business model and value chain	2.2. Strategy and business model
ESRS 2	SBM-2	Interests and views of stakeholders	2.2.4. Stakeholder management and relations
ESRS 2	SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	2.3. Materiality
ESRS 2	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	2.3.1.2. Identification and assessment of IROs
ESRS 2	IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	2.7. Disclosure requirements addressed
ESRS 2	GOV-1	The role of the administrative, management and supervisory bodies	2.4.2. The role of the administrative, management and supervisory bodies
ESRS 2	GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	2.4.3. Information provided to the Company's administrative, management and supervisory bodies addressing sustainability matters
ESRS 2	GOV-3	Integration of sustainability-related performance in incentive schemes	2.4.4. Integration of sustainability-related performance into incentive schemes
ESRS 2	GOV-4	Statement on due diligence	2.5. Due diligence
ESRS 2	GOV-5	Risk management and internal controls over sustainability reporting	2.4.5. Internal control over sustainability reporting
E1	E1.GOV-3	Integration of sustainability-related performance in incentive schemes	2.9.1. Governance
E1	E1-1	Transition plan for climate change mitigation	2.9.2. Strategy
E1	E1.SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	2.9.3. Impacts, risks and opportunities
E1	E1.IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	
E1	E1-2	Policies related to climate change mitigation and adaptation	2.9.3.1. Policies
E1	E1-3	Actions and resources in relation to climate change policies	2.9.3.2. Action plans
E1	E1-4	Targets related to climate change mitigation and adaptation	2.9.3.2. Action plans 2.9.4.1. Targets related to the management of material IROs
E1	E1-5	Energy consumption and mix	2.9.4.2. Energy
E1	E1-6	Gross Scopes 1, 2, 3 and total GHG emissions	2.9.4.3. GHG emissions
E1	E1-7	GHG removals and GHG mitigation projects financed through carbon credits	
E1	E1-8	Internal carbon pricing	2.9.4.4. Internal carbon pricing

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ESRS	Code	Disclosure requirement	Location in the Sustainability Report
E5	E5.IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	2.10.1. Impacts, risks and opportunities
E5	E5-1	Policies related to resource use and circular economy	2.10.1.1. Policies
E5	E5-2	Actions and resources related to resource use and circular economy	2.10.1.2. Action plans
E5	E5-3	Targets related to resource use and circular economy	2.10.2.1. Targets related to the management of material IROs
E5	E5-4	Resource inflows	2.10.2.2. Products and materials
E5	E5-5	Resource outflows	2.10.2.3. Waste
S1	S1.SBM-2	Interests and views of stakeholders	2.11.1. Strategy
S1	S1.SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	2.11.2. Impacts, risks and opportunities
S1	S1-1	Policies related to own workforce	2.11.2.1. Policies
S1	S1-2	Processes for engaging with own workers and workers' representatives about impacts	2.11.2.2. Engagement with employees and their representatives
S1	S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	2.11.2.3. Remediation processes and engagement channels with employees
S1	S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	2.11.2.4. Action plans
S1	S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	2.11.3.1. Targets related to the management of material IROs
S1	S1-6	Characteristics of the undertaking's employees	2.11.3.2. Characteristics of the Company's employees
S1	S1-8	Collective bargaining coverage and social dialogue	2.11.3.3. Collective bargaining coverage and social dialogue
S1	S1-9	Diversity metrics	2.11.3.4. Diversity metrics
S1	S1-10	Adequate wages	2.11.3.5. Adequate wages
S1	S1-14	Health and safety metrics	2.11.3.6. Health and safety metrics
S1	S1-16	Compensation metrics (pay gap and total compensation)	2.11.3.7. Remuneration metrics (pay gap and total remuneration)
S1	S1-17	Incidents, complaints and severe human rights impacts	2.11.3.8. Incidents, complaints and severe human rights impacts
S2	S2.SBM-2	Interests and views of stakeholders	2.12.1. Strategy
S2	S2.SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	
S2	S2-1	Policies related to workers in the value chain	2.12.2.1. Policies
S2	S2-2	Processes for engaging with workers in the value chain about impacts	2.12.2.4. Engagement with workers in the value chain
S2	S2-3	Processes to remediate negative impacts and channels for workers in the value chain to raise concerns	2.12.2.3. Remediation processes and engagement channels with workers in the value chain
S2	S2-4	Taking action on material impacts on workers in the value chain, and approaches to managing material risks and pursuing material opportunities related to workers in the value chain, and the effectiveness of those actions	2.12.2.2. Action plans
S2	S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	2.12.3.1. Targets related to the management of material IROs
S4	S4.SBM-2	Interests and views of stakeholders	2.13.1. Strategy
S4	S4.SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	
S4	S4-1	Policies related to consumers and end-users	2.13.2.1. Policies
S4	S4-2	Processes for engaging with consumers and end-users about impacts	2.13.2.2. Engagement with consumers and end-users

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ESRS	Code	Disclosure requirement	Location in the Sustainability Report
S4	S4-3	Processes to remedy negative impacts and channels for consumers and end-users to raise concerns	2.13.2.3. Remediation processes and engagement channels with consumers and end-users
S4	S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end- users, and the effectiveness of those actions	2.13.3. Action plans, metrics and targets
S4	S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	
G1	G1.GOV-1	The role of the administrative, supervisory and management bodies	2.14.1. Governance
G1	G1.IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	2.14.2. Impacts, risks and opportunities
G1	G1-1	Corporate culture and business conduct policies and corporate culture	2.14.3. Corporate culture
G1	G1-2	Management of relationships with suppliers	2.14.5. Suppliers
G1	G1-3	Prevention and detection of corruption and bribery	2.14.4.1. Prevention and detection of corruption or bribery
G1	G1-4	Confirmed incidents of corruption or bribery	
G1	G1-5	Political influence and lobbying activities	2.14.4.2. Political influence and lobbying activities