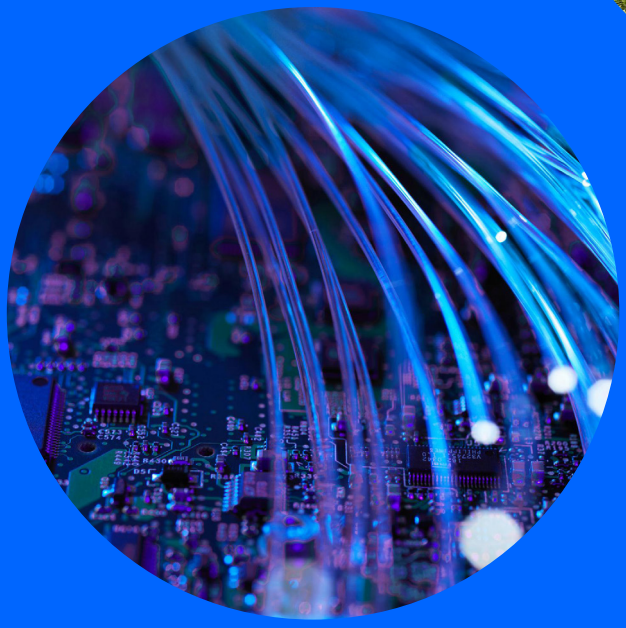
Telefónica



Telefónica's socio-economic contribution in 2023

TECHNICAL IMPACT MEASUREMENT REPORT

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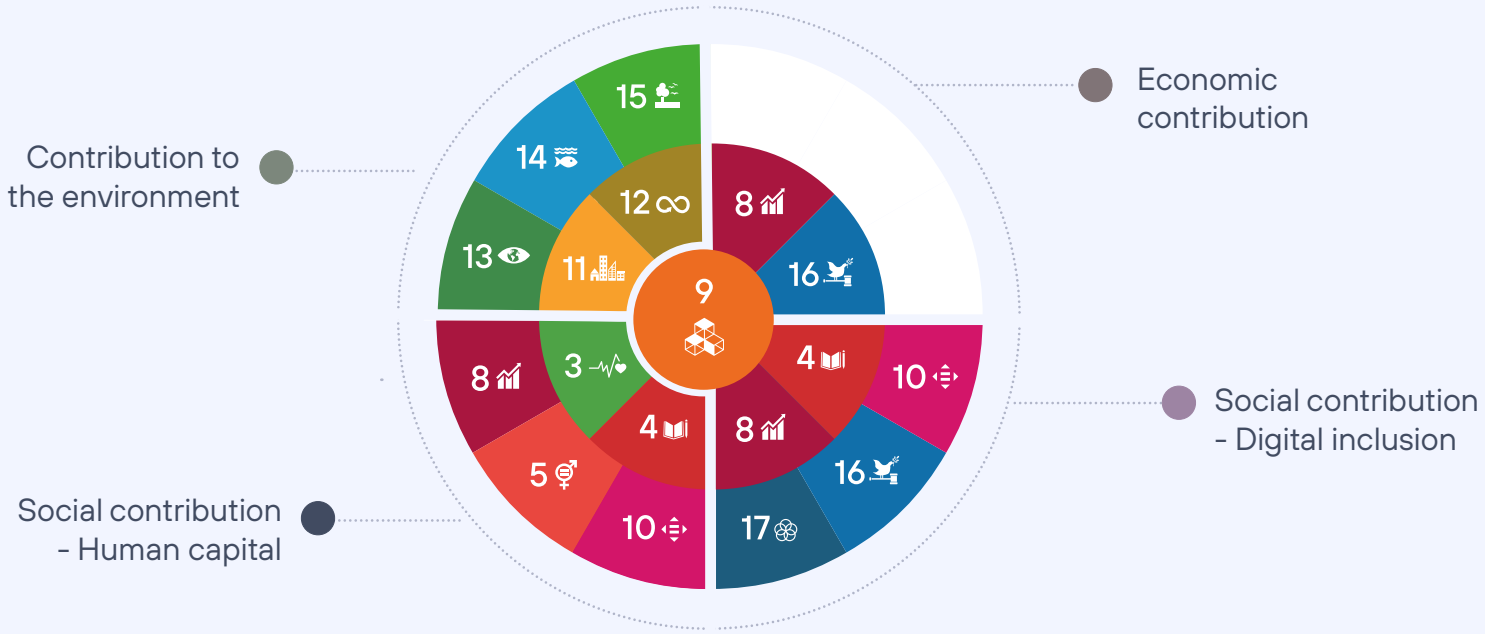
1.

Results at a glance

Contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity [1].



At Telefónica, we promote sustainable development mainly through our contribution to SDG 9 “Industry, innovation and infrastructure” and SDG 8, “Decent work and economic growth”.

The Group provides access to information and knowledge, principally through the deployment of broadband and continuous innovation of the technologies and infrastructures made available to society. In this way, we contribute to achieving SDG 9.

Moreover, thanks to the service offered to our customers, and the importance of connectivity in today's global society, our Company has positioned itself as a driving force for economic growth in the regions in which we operate.

Total contribution
+€100 billion

Economic contribution
+€48 billion

The social impact of connectivity

Expanding connectivity

Contribution to local tax authorities

Sustainable innovation

Impact of R&D investment

Open innovation and entrepreneurship

Social contribution
Digital inclusion
€32 billion

Digital skills and other social programmes

Cultural programmes

Volunteering programmes

Digital skills

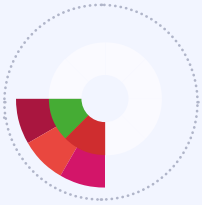
Network and data security

Privacy and digital rights

Scope 1 and 2 emissions

Scope 3 emissions

Circular economy



Social contribution
Human capital
+€17 billion

Overall impact on employment

Diversity, equality and non-discrimination

Other environmental aspects

Water

Biodiversity

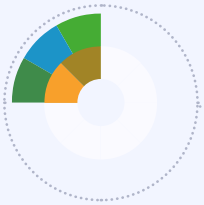
Labour practices/working conditions and health and safety

Health and safety

Wage contribution

Employee training

Contribution to the decarbonisation of the economy



Contribution to the environment
+€2.5 billion

⊕ Positive impacts

⊖ Negative impacts

0 - €100 million
€100 - €500 million
€500 - €1,000 million
€1,000 - €5,000 million
€5,000 - €10,000 million
€10,000 - €20,000 million
> €20,000 million

2.

Executive summary

Introduction

The practice of measuring the environmental, social and economic impact of a company's activities has become increasingly important over the last ten years. Furthermore, the assessment of sustainability in organizations is changing. Contributing to this change are the international community, via tools such as the 2030 Agenda and the Kunming-Montreal Global Framework, and regulatory bodies. The latter, in particular in Europe, have pushed important initiatives such as the European Green Deal, the EU Taxonomy and the new European Sustainability Reporting Standards (ESRS). The capital markets, by boosting impact investment, are also a significant contributor to this change. The measuring and quantifying of impacts has become a key tool for improving management, promoting sustainability, strengthening the relationship with stakeholders and developing competitive advantages.

For this reason, since 2019, at Telefónica we have conducted a number of studies on the social and environmental impacts of our business. The scope of the analysis focuses on the main regions in which we operate: Spain, Germany, Brazil and Hispano America.

This report builds on the economic, social and environmental impact assessments and quantifications of our activities and operations that we began in 2019.

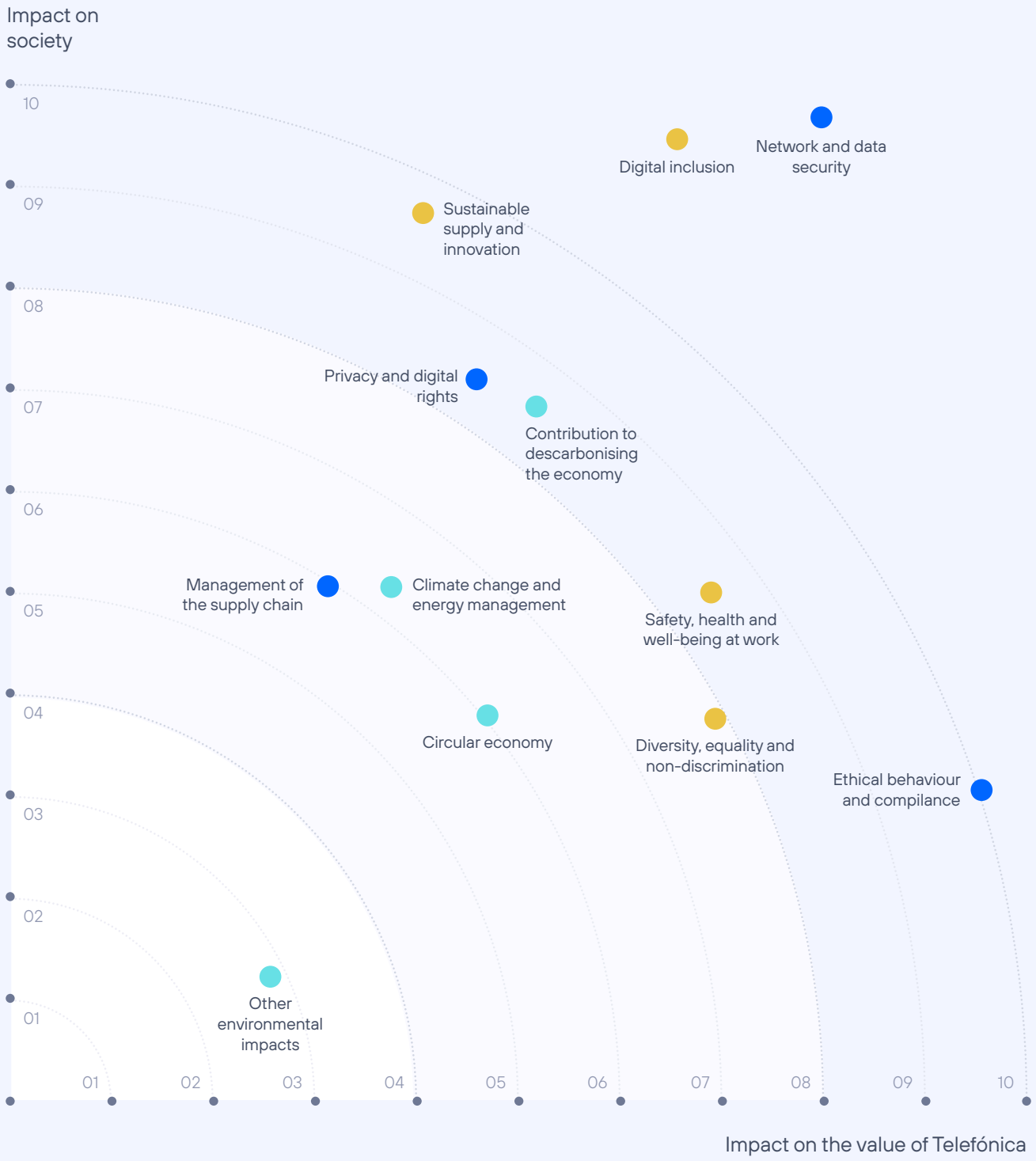
The results of these studies enable us to incorporate sustainability criteria into our decision-making processes, improve our management processes and, as endorsed by the European Green Deal itself, develop value-added products aimed at facilitating the digitalisation and connectivity that society needs in order to move towards a sustainable development model. The findings also allow our stakeholders to better understand the magnitude of the impacts we generate and our contribution to the sustainability and development of communities.

In 2022, Telefónica generated a positive contribution of over €100 billion in the regions in which it operates. This highlights the importance of connectivity and the digital transition for both society and in terms of promoting sustainable economic development.

This reinforces our role as a driving force for sustainability in the telecommunications sector and emphasises our contribution to the United Nations 2030 Agenda for Sustainable Development.

In order to determine the necessary targets and actions within our corporate strategies, it is essential to identify, define and measure the impacts that our main lines of activity and the externalities identified in the materiality matrix have on society, the economy and the environment.

By analysing our externalities, we can learn more about the effects we have on society and this helps us improve our product innovation and decision-making processes. The double materiality matrix illustrates the impact generated by an externality on the value Telefónica creates as well as the impact on society and the environment.



Material issues and the Human Rights and Environmental Due Diligence study have provided the basis for identifying the key externalities related to our business and therefore for developing the impact measurement models for this environmental study.

- Environment
- Social
- Governance
- Human rights

Contribution to key pillars

There are four strategic pillars we use to classify our impacts:

Economic contribution:
Takes into consideration the socio-economic impact generated by the Group's activities in the main countries in which we operate (impact on gross domestic product), and the taxes incurred that enable public administrations to provide services for society.

Telefónica's economic contribution is approximately €48 billion.

Social contribution – human capital:
Refers to impacts that affect the economic and social well-being of our employees, as well as the promotion of diversity and equality in all areas of the organisation.

Telefónica has a positive impact of approximately €17 billion on the development and well-being of its employees.

Social contribution – digital inclusion:
Examines the social benefits arising both from the service offered to our customers, through connectivity and digital solutions, and from digital skills training initiatives that enable people to use new technologies responsibly and ensure that these new technologies are as useful as possible for society. In addition, this framework analyses the social return on investment from research and development (R&D) and the Wayra and Venture Capital open innovation programmes offered by our Company to support startup and entrepreneurship ecosystem.

Telefónica generates a socio-economic impact of over €32 billion through digital inclusion initiatives.

Contribution to the environment:
Monetises the environmental impact caused directly or indirectly by the business conducted by our Company. This allows us to assess the contribution of digital services towards the decarbonisation of the economy and the protection of biodiversity in the regions in which we operate, some of which are of great ecological value. Telefónica's commitment to promoting a circular economy and the responsible management of electronic equipment and devices is also assessed and we anticipate that this aspect will become increasingly important in the future.

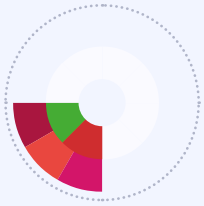
Telefónica's impact on the environment exceeds €2.5 billion.

Economic contribution

+€48 billion

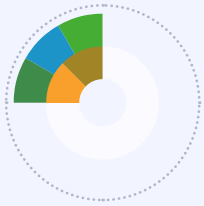
Social contribution Digital inclusion

€32 billion



Social contribution Human capital

+€17 billion



Contribution to the environment

+€2.5 billion

The results of this analysis allow us to reach the following conclusions in order to effectively assess our Company and its activities:

1. Telefónica stands out primarily for its contribution to the socio-economic development of the territories in which it operates, especially as a result of the increase in the penetration rate of connectivity services (fixed and mobile broadband) and the value that digital services bring to society.

   In particular, internet access has a key role to play in the economic development of countries, as connectivity directly affects the productivity of businesses, professionals and other elements of the production process.

2. Through our activities, we generate significant social value for our employees, the entire value chain and society as a whole, contributing to the creation of quality jobs, promoting the well-being of our employees and supporting vulnerable groups through social initiatives.

3. Connectivity and digital solutions are proving to be a key ally in protecting our environment and reducing greenhouse gas emissions. New technologies help us to tackle environmental challenges and build a more sustainable future.

Contribution by region

The Group directly offers telecommunications services in 12 countries in Europe and Latin America and has a presence and reach in over 170 countries worldwide.

The figure below highlights our contribution in the regions mentioned above.

The contribution is distributed in a fairly similar way to the Telefónica Group's 2022 revenue breakdown for the regions in question*, which is directly linked to the local development of the communities in which we operate.

*Although we do consider the UK market, Virgin Media - O2 UK (VMED O2), a 50/50 joint venture with Virgin Media, is not included in the scope of this study.

Financial figures

In order to put Telefónica's economic, social and environmental externalities into context, the final results have been compared with the net profit and total revenues obtained in 2022.

In 2022, the positive impact generated by Telefónica in the areas in which it operates amounted to over €100 billion.

The impact of our operations is equivalent to

50
times our net profit

2.5
times our total revenues

€1m*
of socio-economic contribution per employee

*Our data at the end of 2022:
Net profit: €2.011 billion.
Total revenues: €39.993 billion.
Employees: 103,638.

Methodological lines

Impact analysis commences with identifying the most significant externalities associated with our activities in order to subsequently assess their economic effects in monetary terms. Monetisation is essential in order to express externalities in a single unit, to be able to compare impacts and to prioritise them in terms of management.

To measure and monetise the impacts, we have followed the guidelines provided by organisations such as:

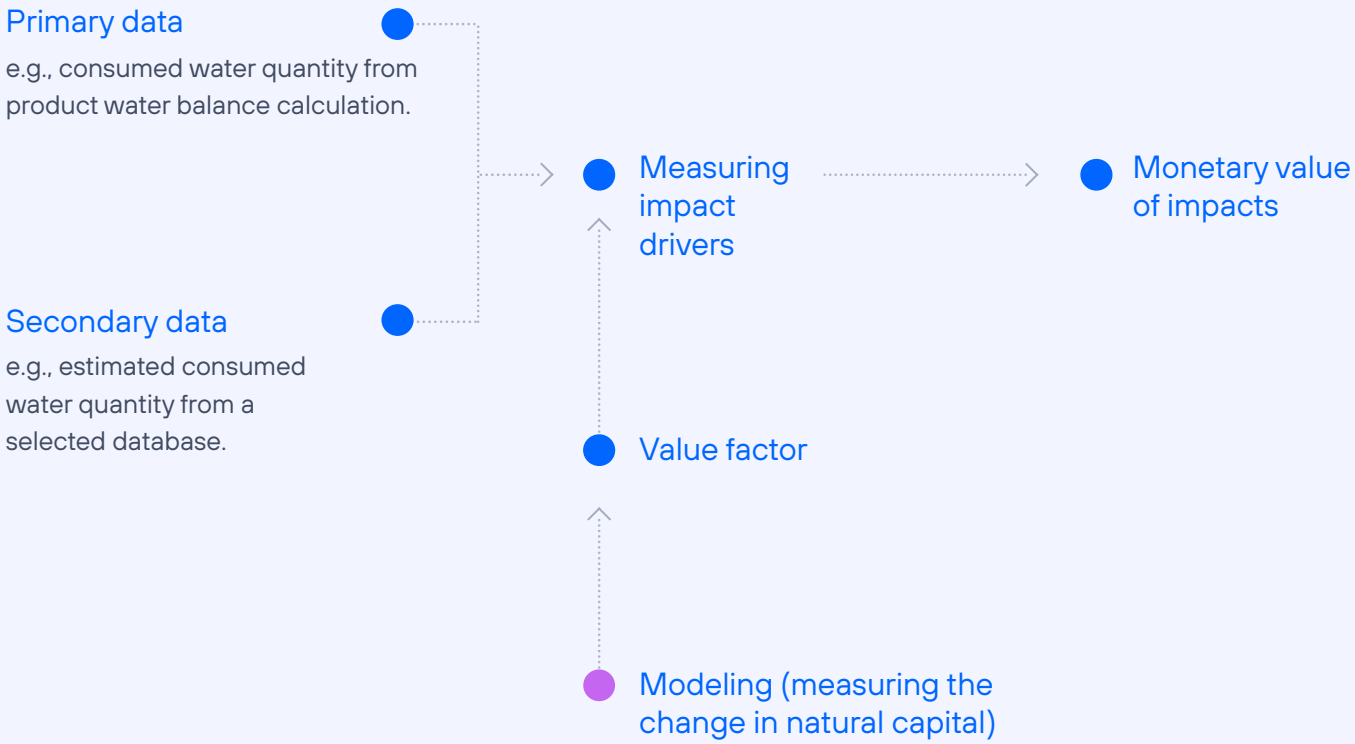
- Harvard Business School (HBS).
- The Value Balancing Alliance (VBA).
- The World Business Council for Sustainable Development (WBCSD).
- The Capitals Coalition.

The publications of these organisations provide general rules for developing an impact study and quantifying results. In this regard, the Measuring Impact [2], Impact Weighted Accounts (IWAI) [3] and Natural Capital Protocol [4] frameworks are widely accepted and offer mathematically robust methodology for companies seeking to measure their impact on the environment and society.

The Capitals Coalition, in collaboration with the VBA and the WBCSD, has recently published its General Guidance on Applying the Natural Capital Management Accounting Methodology [5], which outlines the impact measurement process. According to this publication, the steps to be taken are as follows:

- Collect data to measure impact drivers.
- Use the appropriate methodology to define impact pathways.
- Collect value factors.
- Multiply the data by the value factors.

The figure below is a graphical summary of this process.



Having identified our Company's total contribution and impact, we seek to implement management strategies to foster our positive contribution and minimise negative impacts. The results of this report thereby allow us to strengthen internal assessment and decision-making processes, maximising the value of the information obtained in the analysis.

Action implemented by the company

Action implemented by the value factor provider

3.

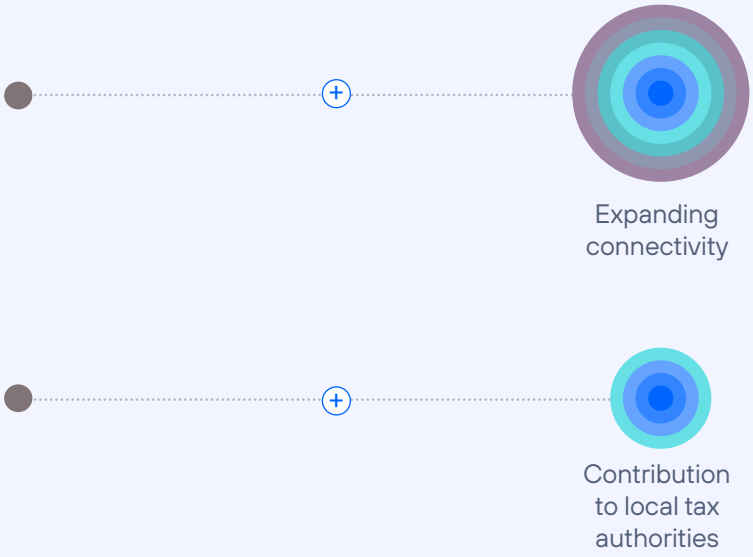
Economic contribution

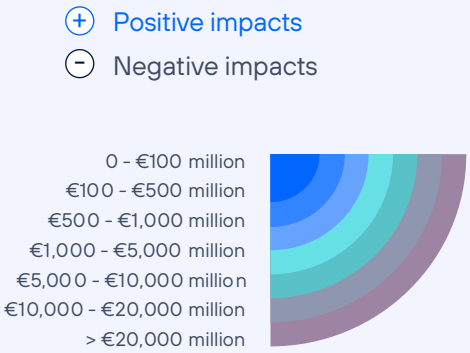
By offering a quality service and supporting local industry, Telefónica promotes social and economic development.

This section takes into account the economic value generated directly or indirectly by our activities and investments in the main countries in which we operate. In addition, we measure the externalities generated through taxes incurred and those that contribute to the creation of services to society by public administrations.

The material issues included in this block are directly related to:

- Management of the supply chain.
- Ethical conduct and compliance.
- Value proposition.





We estimate that Telefónica's economic contribution is equivalent to **€48 billion.**

Our company is part of a strategic industry and we contribute to the economic development of the countries in which we are present. Both directly, through our business activity and job creation, and indirectly, through our impact as a catalyst across our supply chain and for other industries that we help to make progress and adapt to the needs of an increasingly interconnected market.

Beyond our direct contribution to regional economies, we should also highlight the value of the installation of our telecommunications infrastructures, the development of broadband, the deployment of connectivity and the digitalisation of the productive and business fabric. Because of all this, Telefónica works to ensure that all individuals and companies can have access to the economic benefits of the new digital revolution.

In addition, at Telefónica we promote inclusive connectivity to provide digitalisation to all people and companies. In particular, by expanding connectivity we can address socio-economic inequality by improving access to resources, knowledge and opportunities.

3.1 Expanding connectivity

At Telefónica we contribute to the economic growth of the areas in which we operate primarily through the connectivity and communications services we offer.

Thanks to investments in communications infrastructure and telecommunications services operations, we create added value in the societies in which we are present.

In order to strengthen our positive impact on our supply chain and local economies, approximately 83% of our total procurement volume, equivalent to €22 billion, goes to local suppliers. Some 8,526 suppliers have been awarded contracts, of which 57% are small and medium-sized enterprises. By doing so, we foster the digital transformation of local economies and create job opportunities.

Telecommunications play a major role in many of the key sectors of the domestic economy, including health, education, transport, business logistics, manufacturing, agriculture, energy and the media [6].

In this regard, we have quantified the direct and indirect impacts that our activities had on the gross domestic product (GDP) of the main countries in which we provide telecommunications services in 2022.

Calculation

We estimate the direct, indirect and induced impact of our economic activity, expenditure, investment and jobs created through the use of input-output matrices and macroeconomic variables from domestic statistical agencies. *

Indicators

- Telefónica's economic and financial data (revenues, personnel expenses, OIBDA, investments, employees, supply chain). [7]
- Input-output tables from OECD and national agencies.
- Domestic macroeconomic variables.

SDGs

Stakeholders

Customers

Employees

Society

Partners and suppliers

Government entities

For every euro of gross operating margin we obtained in 2022, we generated the equivalent of €3.60 that contributed to the GDP of the main countries in which we are present.

*The magnitude of this impact has been validated through a methodology that draws on articles and research published by renowned institutions. On the one hand, the impact generated by the service offered to Telefónica's customers has been calculated using the methodology offered by the International Telecommunication Union (2018), which suggests that there is a link between higher service penetration (fixed and mobile broadband) and increases in GDP per capita. On the other hand, we have used PwC's estimates of the total impact of 5G in various regions of the world.

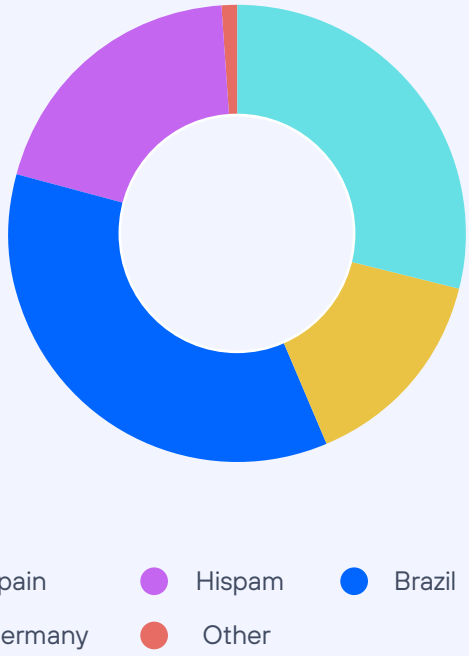
3.2 Contribution to local tax authorities

At Telefónica we promote the well-being of the regions in which we operate by supporting local economies through corporation taxes and other specific contributions.

To calculate this impact, we quantify our contribution to local tax authorities through the corporation taxes we pay and other tax contributions, such as fees (for the use of the public domain, for the financing of the radio and television corporation), local taxes and social security payments, as well as other similar contributions in different countries.

Taxes help to support public spending to provide essential infrastructure for citizens. As an example, our tax contribution in Spain for 2022 was equivalent to the funding needed to build 11 hospitals [8].

Tax contribution by geography



Calculation

Taxes incurred by Telefónica Group companies are added together, excluding taxes collected. This is because taxes incurred are levied on the Company's activity and can therefore directly support public finances.

Indicators

- Taxes incurred. [7]

SDGs

Stakeholders

Government entities

Society

For every €100 of turnover, we pay €19 in taxes (€6 in taxes incurred and €13 collected).

4.

Social contribution. Digital inclusion

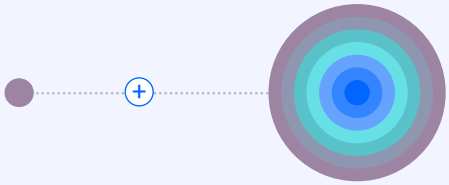
By bringing connectivity and digitalisation to more people in both urban and rural areas, we create value in the communities in which we operate.

Within this block, the biggest impact comes from the economic value generated by the fixed and mobile broadband service we offer to our customers.

We also generate value through investments in R&D, the promotion of entrepreneurship, the advancement of digital culture and the strengthening of cybersecurity, as well as through the training and cultural programmes and volunteering activities promoted by Fundación Telefónica.

The material issues related to this section are as follows:

- Sustainable innovation.
- Digital inclusion.
- Ethical conduct and compliance.
- Network and data security.
- Privacy and digital rights.



The social impact of connectivity

Sustainable innovation

Impact of R&D investment

Open innovation and entrepreneurship

Digital skills and other social programmes

Digital skills

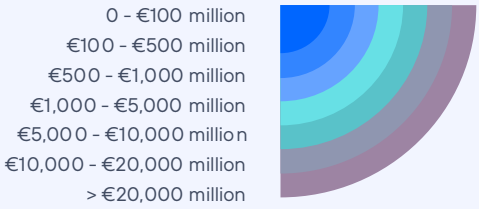
Cultural programmes

Volunteering programmes

Network and data security

Privacy and digital rights

⊕ Positive impacts
⊖ Negative impacts



Telefónica's net positive impact on local communities through digital inclusion initiatives is equivalent to €32 billion.

New digital technologies impact both businesses and the lives of increasingly interconnected communities. That is why we seek to provide an innovative and safe service, which allows us to meet the needs of society and, in turn, promote sustainable development.

However, not all sectors or societies are equally prepared to take advantage of the opportunities offered by the digital revolution. We therefore invest in social programmes and training to facilitate entrepreneurship, provide access to new technologies and foster digital culture.

We strive to connect as many people as possible and to enable all communities to enjoy the socio-economic benefits that the digital revolution has to offer.

4.1 The social impact of connectivity

We want to bring the best digital connectivity and services to all communities and rural areas, to ensure that everyone enjoys an equal share of the benefits of the digital age.

Through increased deployment of connectivity in the world's different regions, we foster economic and social growth, triggering positive changes in the business fabric and the global economy. The role of connectivity as a catalyst and facilitator of sustainable development is recognised by the Sustainable Development Goals (SDGs) and the European Green Deal.

In this regard, we therefore monetise the social impact we generate by providing quality services to our customers.

Calculation

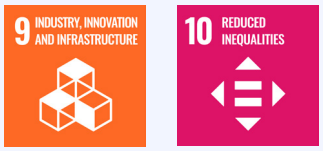
Analysis of the correlation between the increase in consumer surplus and the level of service penetration (fixed and mobile broadband), and measurement of the economic benefits of encouraging greater connectivity, mainly in rural areas.

From this, we take away the potential costs associated with the occasional interruption of supply (fixed and mobile broadband).

Indicators

- Telefónica's contribution to the gross value added of the information and communication technologies sector. [7] [9] [10] [11]
- Fixed and mobile broadband penetration at national and enterprise level. [7] [12] [13]
- National population residing in urban and rural areas. [14] [15]
- Mobile coverage in rural areas. [7]
- Fixed and mobile network availability. [16]
- Consumer surplus from fixed and mobile broadband usage. [17] [18]
- Value of rural connectivity. [19]

SDGs



Stakeholders

Customers Society

Telefónica is one of the leading companies in Europe and Latin America in fibre deployment.

To expand and improve connectivity, we embrace partnerships with other companies that have innovative business models.

"Internet for All" has brought 4G to more than 3.3 million people in over 16,000 remote areas of Peru.

In Spain, Bluevía offers the largest fibre network deployed in municipalities with fewer than 20,000 inhabitants, with the goal of reaching five million homes and businesses by 2024.

4.2 Sustainable innovation

4.2.1 Impact of R&D investment

For Telefónica, being a pioneer in the telecommunications sector means having the ability to anticipate market needs by offering an innovative and sustainable product.

Throughout our almost 100-year history, Telefónica has put in place measures to encourage innovation and product development as an integral part of our business.

Innovation allows us to improve the quality of the service we offer to communities that are increasingly aware of the need to incorporate sustainability into production processes. In addition, R&D investments are critical to the long-term growth of our Company, as they drive our productivity and competitiveness in the telecommunications market.

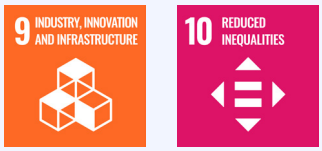
Calculation

The total amount invested in R&D by the Telefónica Group is multiplied by a proxy that reflects the economic benefit generated by making an R&D investment.

Indicators

- R&D investment. [7]
- Economic return on R&D investment. [20]

SDGs



Stakeholders

Customers

Shareholders and analysts

Society

With an annual investment of over €700 million, we are among the top 50 European companies in terms of R&D investment, as demonstrated by a portfolio of more than 340 patents.

4.2.2 Open innovation and entrepreneurship

Our intention is to support the entrepreneurial ecosystem and generate both economic and social benefits by investing in startups and promoting entrepreneurship.

Through programmes such as Open Future and Wayra, we not only fund startups seeking to grow innovative businesses, but also provide training for the entrepreneurs behind these companies. In addition, at Telefónica, we use innovation hubs and startup scouting centres to promote entrepreneurship.

Startups are key to fostering social change and economic recovery. Entrepreneurship programmes, meanwhile, foster employability, competitiveness and creativity in the communities where they are rolled out.

wayra Telefónica Innovation

OPEN FUTURE

Calculation

Telefónica's investment to foster entrepreneurship in startups and new companies is multiplied by the rate of return on an investment in entrepreneurship.

We estimate the economic value linked to indirect job creation in the startups in which we invest.

Indicators

- Investment in promoting entrepreneurship. [7]
- Open Future and Wayra spaces. [16]
- Average investment per space. [16]
- Investment in startups. [7]
- Survival and growth rate of startups. [21]
- Number of startups and employees. [16]
- Minimum wage. [22]
- Rate of return on investment in entrepreneurship. [23]

SDGs

Stakeholders

Partners and suppliers

Shareholders and analysts

Employees

Society

4.3 Digital skills and other social programmes

4.3.1 Digital skills

We promote knowledge of new technologies to facilitate employability.

Digital education is transforming teaching and learning practices, enabling people to continue to participate socially or in the workforce in a self-determined way, reducing inequalities and creating more inclusive and efficient education systems.

Through Fundación Telefónica, with initiatives such as Conecta Empleo, Piensa en Grande, Escuela 42 and ProFuturo -a joint program between Fundación Telefónica and Fundación la Caixa-, we seek to improve digital skills in society, not only to help people find work, but also to contribute to the socio-economic development of the regions in which we operate. We also offer job counselling tools and solutions to identify the most in-demand digital professions to facilitate access to the labour market.

Fundación Telefónica

Within this impact, externalities generated mainly through increased investment in digital education are expressed in monetary terms.

Calculation

The beneficiaries of each training programme are multiplied by the social value of learning per learner.

Indicators

- Beneficiaries of Fundación Telefónica's courses (Lanzaderas, Conecta Empleo, Piensa en Grande, Escuela 42 and ProFuturo). [7], [24]
- Geographical distribution of Fundación Telefónica's investment. [24]
- Social value of learning per learner. [25]

SDGs*

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
17 PARTNERSHIPS FOR THE GOALS

Stakeholders

Government entities

Society

Fundación Telefónica has improved the employment prospects of almost 1.2 million people thanks to initiatives such as the 42 programme, which offers a number of free programming campuses currently open in Madrid, Barcelona, Urdúliz, Málaga and São Paulo.

42 MADRID Fundación Telefónica

Through the ProFuturo programme, in 2022, 411,000 teachers received training in digital skills and over 7.4 million children benefited from this.

ProFuturo

*Both the general activity of Fundación Telefónica and the ProFuturo programme contribute towards SDG 4, "Quality education".

4.3.2 Volunteering programmes

Telefónica seeks to promote digital skills, awareness and social inclusion through volunteering initiatives.

Fundación Telefónica's volunteering programmes allow our employees to offer their digital skills to the community in order to combat social and digital vulnerability. In this way, and thanks to the solidarity of around 60,000 employees, we help over 1.4 million people every year.

Some of the initiatives our volunteers have put into practice include digital skills training workshops to improve employability, technology education activities for children and young people, digital literacy for older people and training in the responsible use of technology for teenagers and people with disabilities.

In the long term, volunteering improves the economic and social well-being of local communities by promoting youth development, fostering a greater sense of community and increasing access to technology for disadvantaged people.

Calculation

The number of registered volunteers in 2022 is multiplied by the economic value of the service they generate in local communities.

Indicators

- Number of volunteers in 2022. [7]
- Economic value of voluntary work. [26]

SDGs

Stakeholders

Government entities

Society

4.3.3 Cultural programmes

We promote social transformation through the dissemination of knowledge and digital culture.

Over the last decades, culture and the arts have been increasingly influenced by digital trends. The digitalisation of culture is generating a new social ecosystem in which new technologies make it possible to reach more sectors of society.

Fundación Telefónica organises conferences, research, exhibitions and workshops to disseminate and share cultural and technological knowledge. The aim of these educational offerings is to provide the population with the means to access the most significant content related to art and culture in the era of the digital revolution.

Calculation

Fundación Telefónica's total budget for digital culture is multiplied by the return on investment in digital culture.

Indicators

- Fundación Telefónica's budget for digital culture programmes. [27]
- Economic return on an investment in culture .[28]

SDGs

Stakeholders

Society

4.4 Network and data security

We strive to minimise the risk of potential cyber threats in order to protect our customers' business resources and data privacy.

Cybersecurity is one of the most important issues for companies whose business depends on digital communications and solutions, and in particular since the COVID-19 crisis, due to the implementation and massification of new models of remote working.

At Telefónica we develop and market cybersecurity and managed security products and services. As business becomes increasingly digital, we seek to stay ahead of threats through investments in information security and cibersecurity, and ongoing collaborations with other players in the telecommunications industry, as well as other areas of society.

The economic return of digital technology security solutions measures the reduction of risk and potential losses related to cyber attacks for society as a whole.

Calculation

The Telefónica Group's total investment in cybersecurity services is multiplied by the corresponding economic return.

Indicators

- Telefónica's turnover for cybersecurity services. [16]
- Return on Capital Invested (ROCE) in cybersecurity. [29]

SDGs

Stakeholders

Customers

Society

Partners and suppliers

Shareholders and analysts

Over 533 million cybersecurity threats have been blocked in one year thanks to the free secure connection service offered by Movistar in Spain to its customers.

4.5 Privacy and digital rights

To provide a quality service and generate trust, at Telefónica we work to guarantee our customers' digital rights and the privacy of information and data.

The use of new technologies, as well as of the Internet and digital services, entails cybersecurity threats. These include unauthorised access to systems or malicious software designed to misuse sensitive and private information.

For this reason, ensuring the privacy and protection of our employees and customers' data, and promoting initiatives that foster the digital rights of all users have become a priority for Telefónica, both internally and throughout our value chain. Telefónica also promotes responsible management of digital content on the internet, ensuring the protection of minors, freedom of expression and the responsible use of new technologies.

Calculation

The average cost of a data breach is multiplied by the number of customers affected.

Indicators

- Number of customers affected by data. [7]
- Cost of a data breach. [30]

SDG

Stakeholders

- Customers
- Opinion leaders and media
- Partners and suppliers
- Government entities
- Society
- Shareholders and analysts

We have a revamped Global Transparency Centre and Privacy and Security Centres for each of our operations to keep our customers informed about the protection of their data, and provide them with tools that enable them to take control of their information.

5.

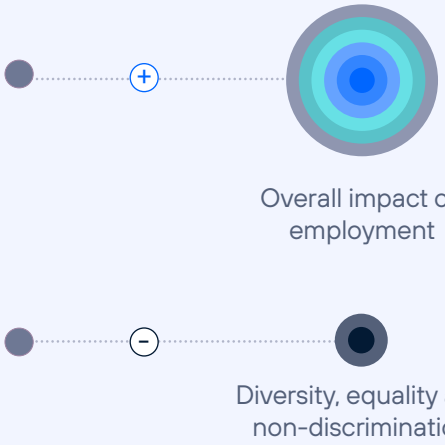
Social contribution. Human capital

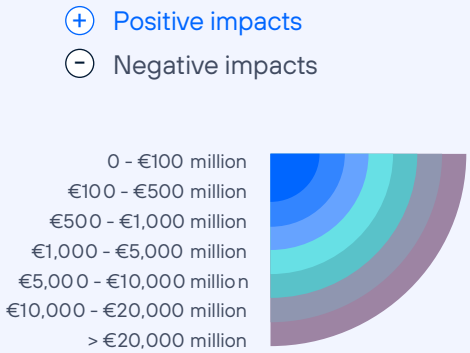
We promote inclusion, diversity and training for our employees, and we work to ensure that our work environments are safe and have decent working conditions.

This section contains an analysis of our commitment to promoting the physical, intellectual and economic well-being of our employees.

The specific issues included in this block are:

- Diversity, equality and non-discrimination.
- Labour practices/working conditions and health and safety.
- Ethical conduct and compliance.





Labour practices/working conditions and health and safety

During 2022 Telefónica generated a positive social impact among its employees amounting to €17 billion.

One of the challenges we face in human resources management is the labour ecosystem resulting from the ongoing digital transformation of companies.

In this regard, the diversity and personal and professional growth of our employees is essential. That is why, in addition to our commitment to training, we foster an inclusive culture and leadership style to make sure that our professionals can achieve their full potential.

We want a safe and trusting environment to attract and retain the best talent, and we are committed to developing the skills of our employees.

5.1 Overall impact on employment

We seek to promote local employment through our procurement and investments in various sectors and national companies.

The telecommunications sector is a catalyst for business development projects and economic activities that are crucial for job creation. Jobs are a fundamental source of social cohesion and social justice, enabling the participation of citizens, the distribution of wealth and the guarantee of rights.

Through our activity, we create jobs both directly (our own employees), indirectly (employment in our supply chain) and through induced employment (employment in different sectors of society).

Calculation

The number of jobs created in the companies and sectors receiving Telefónica's expenditure and investment is multiplied by the value of the average national salary using input-output tables and the macroeconomic variables of the main countries in which we operate.

Indicators

- Indirect jobs created by Telefónica. [16]
- Average salary. [31] [32]
- Input-output tables from OECD and national agencies.

SDG

Stakeholders

Partners and suppliers

Society

In 2022, our spending and investments led to the creation of 675,947 indirect jobs in the companies and sectors with which we collaborate, as well as their respective suppliers.

5.2 Diversity, equality and non-discrimination

We encourage diversity by creating an inclusive environment in which differing individual abilities are recognised and nurtured.

A number of studies suggest that if companies want to compete on the global stage, they must foster a culture of diversity and incorporate people with diverse backgrounds, lifestyles and perspectives into their workforce. It has been proven that when inclusive talent management is implemented, differences in terms of age, ethnicity, gender and other aspects in a team lead to better results [33].

At Telefónica, managing diversity and inclusion helps us to attract and retain high-potential professionals and address principles of social justice. Our system is composed of internal bodies and figures that monitor progress in this regard and protect people from any kind of discrimination.

For technical reasons, and because gender diversity is currently one of the most important aspects to consider, this indicator focuses on the impact generated as a result of the current makeup of our workforce.

Calculation

The expected number of women in an equal labour market is estimated and the result is compared with the number of women employed in Telefónica's workforce. The impact is quantified using the average wage in each country.

Indicators

- Total number of employees. [7]
- Number of women in the workforce. [7]
- Personnel expenses. [7]

SDGs

Stakeholders

Employees

Society

In six years we have increased the percentage of women managers by almost 11 percentage points, from 20.5% to 31.3%, progressing towards our target of 37% by 2027.

5.3 Labour practices/working conditions and health and safety

5.3.1 Employee training

We offer training courses on key issues to improve performance and facilitate the integration of all employees.

Studies on the economics of work and education have found that training increases the competitiveness of companies by boosting productivity, innovation, the quality of work and professional commitment. In addition, as technology advances, training can help employees and companies adapt to the latest technological changes. Therefore, employee training contributes to the success and sustainable growth of organisations [34].

The training and awareness raising of our employees are essential for the strengthening of our culture. Our professionals have face-to-face and remote courses available to them on occupational health, safety and well-being. Furthermore, we develop annual strategic training programmes on issues such as compliance, privacy, new technologies, digital security, ethics and artificial intelligence, environmental management, accessibility and diversity, effective communication, leadership and time management.

We measure the social impact we generate through the training we offer and the resulting increase in the skills of our employees.

Calculation

The economic return on the training provided to our employees is calculated using the methodology provided by the Value Balancing Alliance.
After having produced a proxy that reflects the economic benefits of our training offer, the result is multiplied by the number of workers who have benefited from these courses.

Indicators

- Total number of employees. [7]
- Turnover rate. [7]
- Employee age breakdown. [7]
- Training ratio. [35]
- Training hours per employee. [7]
- Mandatory training hours according to national legislation. [36]
- Average gross salary. [7]
- Return on Capital Invested (ROCE) in training. [37]

SDGs

Stakeholders

Employees Society

We operate Universitas, one of the best corporate universities in the world. We would have to spend the equivalent of 40 years of working days to complete the training content currently available across Telefónica's training programmes.

5.3.2 Wage contribution

We support a wage policy to help our employees have a good quality of life.

The remuneration of our professionals is linked to individual levels of responsibility, leadership and performance in the organisation. Our remuneration approach is demanding and competitive, with the aim of attracting, retaining and motivating professionals. This allows us to meet our strategic goals, fostering the well-being of our employees and the economic growth of the regions in which we operate.

In this regard, we assess the economic value we generate through the remuneration for our employees.

Calculation

The salaries paid to three salary groups (executives, middle management and other professionals) are taken into account, using a minimum cut-off point defined by the minimum wage and applying the full marginal utility adjustment in order to increase the robustness of the calculations.

Indicators

- Total number of employees. [7]
- Personnel expenses. [7]
- Breakdown of employees by job category. [7]
- Marginal rate. [38]

SDG

Stakeholders

Employees

Shareholders and analysts

Our aim is to be the best company in the world to work for; a company with diverse talent and flexible working methods that offers personal and professional growth.

5.3.3 Health and safety

We work to have a safe and healthy environment by actively promoting the physical and emotional well-being of our employees.

Contemporary societies are facing uncertain situations in which environmental, health, social, political and economic crises can endanger people's mental and physical health.

At Telefónica we are aware of the challenges that can arise in terms of health and safety, which is why we are reaffirming our commitment to the well-being of our employees. We have built a strong, people-centred health and safety culture at all levels, including the working environment, mental well-being, promoting health, physical activity, nutrition and the personal environment. We therefore assess, monitor and prevent risks that may arise in the course of our operations.

In terms of these impacts, we measure our commitment to the health and safety of our professionals.

Calculation

We identify incidents and occupational illnesses that may affect our professionals and the costs associated with this.

We measure the investment we make through the health insurance offered to our employees and the Health Utility of Income (HUI) factor, which allows us to determine the number of years of life gained based on the quality of wages earned.

Indicators

- Injuries due to accidents at work. [7]
- Incidence rate of occupational diseases. [7]
- Number of hours worked. [7]
- Employees covered by the Health and Safety Management System (HSMS). [7]
- Number of employees. [7]
- Social cost of occupational injuries and illnesses. [37]
- Health and Safety Management System value.
- Statistical value of a year of life. [39]
- Minimum living wage. [40]
- Well-being gap. [41]
- Average salary. [31] [32]

SDGs

Stakeholders

Employees

6.

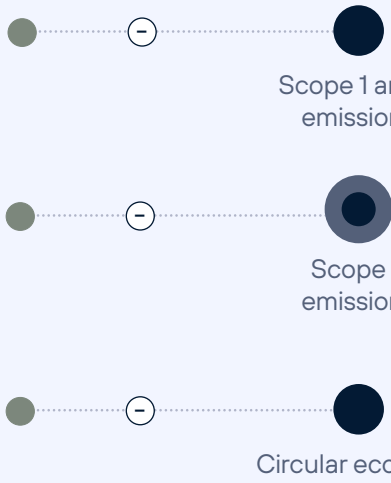
Contribution to the environment

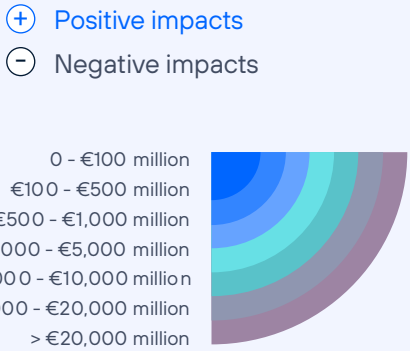
We are committed to minimising our environmental impact and promoting the decarbonisation and circularity of the economies in which we operate.

This block takes into account our contribution to the environment in order to achieve more sustainable economic development. To this end, we assess the costs associated with the emissions and waste produced through our activities. We also quantify the economic impacts resulting from the consumption of resources such as water. Lastly, we measure the environmental impact we have on biodiversity.

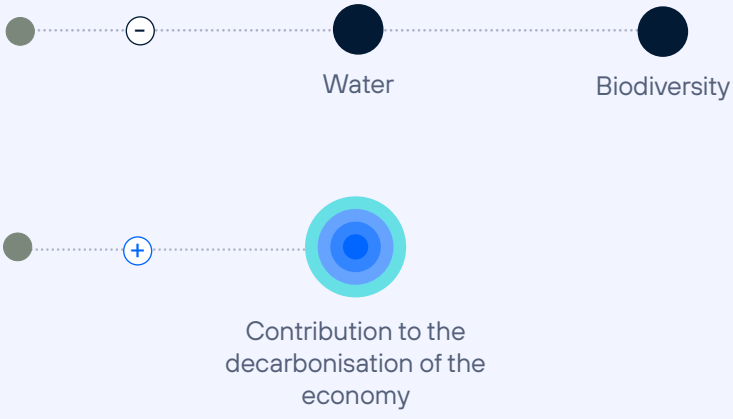
The material issues included in this section are:

- Climate change and energy management.
- Circular economy.
- Contribution to the decarbonisation of the economy.
- Other environmental aspects.





Other environmental aspects



We estimate a contribution to the environment in 2022 of approximately €2.5 billion.

The environmental awareness of governments, consumers, investors, employees and especially companies has increased in recent years. Companies play a key role in protecting the environment by promoting more sustainable activities and by collaborating with organisations and institutions that have these values integrated into their strategies.

At Telefónica we are working to try to decouple our growth from the impact we can have on our environment. We therefore believe it is vital to enhance the synergies between the digital, green and energy transition in order to achieve a competitive, resilient and sustainable economy.

Additionally, our sector is a facilitator of solutions for a digital and green transition with a strong capacity to reduce greeenhouse emisions for the whole economy.

6.1 Climate change and energy management

6.1.1 Scope 1 and 2 emissions

We want to minimise our footprint and harness digitalisation as a key tool in order to tackle environmental challenges.

Given the severity of the expected environmental impacts, societies must focus on curbing the main driver of climate change: greenhouse gas emissions. As a result, governments are trying to reduce their countries' carbon footprints by forcing the main emitters of greenhouse gases to recognise and internalise the impact they have.

At Telefónica we remain committed to the international targets for the fight against climate change,with the target of reducing 90% of Scope 1 and 2 emissions in our main markets by 2025 and achieving net zero emissions by 2040, including across the value chain. To this end, we are increasing the Group's sustainable financing, decreasing our dependence on fossil fuels, and integrating environmental criteria into decision making by implementing an internal carbon price to help us select more efficient systems and technologies, thereby reducing emissions across the entire life cycle. In this regard, we have quantified the externalities generated by our Scope 1 and 2 emissions.

Calculation

Scope 1 and 2 emissions generated in each region are multiplied by the average price of a tonne of CO_2 in 2022, provided by the EU Emissions Trading Scheme (EU ETS).

Indicators

- Scope 1 and 2 emissions. [7]
- Cost per tonne of CO_2 (EU ETS). [42]

SDG

Stakeholders

Shareholders and analysts

Society

In seven years we have reduced our total emissions (Scopes 1, 2 and 3) by 51%, and we were the first telecommunications company to have its net zero targets for 2040 validated by the international body SBTi (Science Based Targets Initiative) under the new net zero standard.

SCIENCE BASED TARGETS

6.1.2 Scope 3 emissions

We work together with our main suppliers, as well as with the rest of the industry, to reduce our emissions across the value chain.

Of our carbon footprint, emissions from our value chain (Scope 3) are the largest. This is why, for several years now, we have had a partnership programme to reduce our suppliers' emissions, through which we analyse their climate maturities and help them reduce their carbon footprints.

In addition, to accelerate the decarbonisation process in the supply chain, we have incorporated a new climate change requirement in the procurement process and are working with other companies in the sector to develop and implement a common and robust climate strategy to meet our decarbonisation commitments and targets.

Calculation

Scope 3 emissions generated in each region are multiplied by the average price of a tonne of CO_2 in 2022, provided by the EU Emissions Trading Scheme (EU ETS).

Indicators

- Scope 3 emissions. [7]
- Cost of a tonne of CO_2 (EU ETS). [42]

SDGs

Stakeholders

Partners and suppliers

Government entities

Society

6.2 Circular economy

To reduce our impact and encourage the reincorporation of materials into the production cycle, we promote ecodesign, reuse and recycling.

The transition to a circular economy is key to mitigating climate change because it promotes a more sustainable production and consumption model in which raw materials remain in production cycles for longer and can be used again. As a result, our priority is to increase repair, reuse and recycling, ensuring that the waste generated is not incinerated or sent to landfill, but is converted into raw materials that are reintroduced into the value chain.

At Telefónica, we work to extend the useful life of equipment and carry out internal eco-efficiency measures that help to reduce the risk of depleting natural resources and to cut greenhouse gas emissions. In this way, we not only reduce our environmental impact, but also achieve savings.

Calculation

The tonnes of e-waste produced or recycled are multiplied by the cost associated with generating one tonne of e-waste.

Indicators

- Tonnes of e-waste produced and recycled. [7]
- Unit cost linked to e-waste generation. [43]

SDGs

Stakeholders

- Customers
- Society
- Partners and suppliers
- Government entities
- Shareholders and analysts

Thanks to our circular economy measures, we recycle 98% of our waste. We aim to be a zero waste company by 2030.

6.3 Other environmental aspects

6.3.1 Water

We put specific measures in place to reduce water consumption and improve water efficiency.

Climate change and increased demand make access to the essential resource of water difficult.

At Telefónica we take specific measures to achieve efficient consumption, especially in water-stressed areas. These measures include the installation of water management systems and water pulse meters, preventive maintenance to avoid leaks, running awareness campaigns for employees and the inclusion of clauses in building maintenance and cleaning contracts encouraging responsible and efficient water use by our suppliers.

Calculation

Our net water consumption is multiplied by the AWARE factor, an indicator that captures its importance in terms of each region's water needs. To measure the economic impact, the cost of water production and delivery, as well as the cost of water treatment are taken into account over the total net tonnes of water consumed.

Indicators

- Net water consumption. [16]
- AWARE factor. [44]
- Cost of water production and delivery. [45]
- Cost of wastewater treatment. [45]

SDGs

Stakeholders

Society

6.3.2 Biodiversity

We analyse the impact of our activities and operations on biodiversity and the natural environment in order to keep this impact to a minimum.

Biodiversity is essential for the processes that support all life on Earth. At Telefónica we are aware of the consequences that changes to biodiversity could have on human well-being and the balance of ecosystems, and we therefore try to reduce the impact of our activities and the impact on wild species and/or their natural habitats, especially in protected areas.

As a part of these efforts, we have quantified the impact on habitats caused by the deployment of our assets in the regions in which we operate.

Calculation

The economic impact per square metre is multiplied by the surface area affected by our activities.

Indicators

- Number of assets in 2021 and 2022. [46]
- Area impacted by Telefónica's activities in 2021. [16]

SDGs

Stakeholders

Partners and suppliers

Government entities

Society

6.4 Contribution to the decarbonisation of the economy

We develop new digital solutions to accelerate the decarbonisation and sustainable transformation of the economy.

The digital transition is a crucial means of reducing the carbon footprint and limiting global temperature rise to below 1.5C. That is why Telefónica offers services that generate environmental benefits; they reduce the consumption of energy, water and CO_2 emissions and boost the circular economy.

In this regard, our portfolio of Eco Smart services, verified by AENOR (an independent certifier), identifies the solutions that contribute positively to environmental protection when used by our customers.

Calculation

The tonnes of CO_2 avoided by Telefónica's customers when using our services are multiplied by the average price of a tonne of CO_2 provided by the European Union's Emissions Trading Scheme (EU ETS).

Indicators

- Tonnes of CO_2 avoided across the value chain. [7]
- Cost of a tonne of CO_2 (EU ETS). [42]
- Geographical distribution of Telefónica's sales. [7]

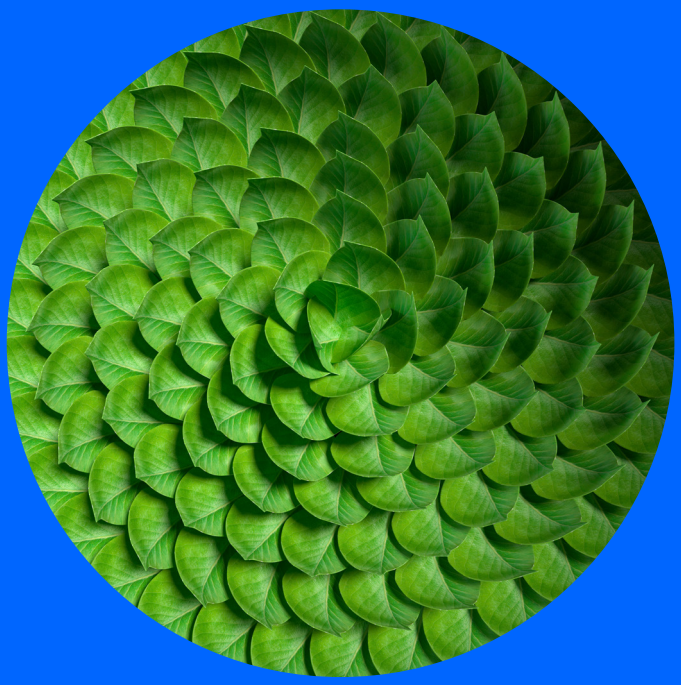
SDGs

Stakeholders

Customers
Society
Partners and suppliers
Government entities

In 2022, thanks to the efficiencies generated by our connectivity and Eco Smart services, our customers avoided the emission of 81.7 million tonnes of CO_2.

7.
Conclusion



By analysing and quantifying the impact of our activities on society and the environment, we are able to demonstrate the significant contribution we make to the economic development of the regions in which we operate.

Our commitment to digital inclusion, protecting the environment, promoting innovation and entrepreneurship, as well as protecting our customers' information and digital rights, enables us to foster social and economic progress for all those around us.

Our goal is to continue working to extend impact analyses to all of the organisation's production processes and to further improve the robustness of our calculations as new standards and impact models become more established. For this purpose, we will continue to collaborate with international organisations with the aim of increasing the standardisation of indicators across companies and sectors of the economy to better manage and assess impacts.

In line with our transparency policy for managing material issues concerning our activity, Telefónica's ESG Library provides important sustainability information relating to the Company.

8.
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