

# Driving Sustainable Connectivity

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# About the Report

Corporate responsibility (CR) is a central component of the Telefónica Deutschland Group's business mindset and activities. In this CR Report, we present the key information regarding our sustainability activities. It is aimed at our stakeholders such as the customers, employees, business partners, shareholders, policymakers, academia, non-governmental organisations (NGOs) and the interested public. We published our last CR Report in April 2019.

## Reporting period and report boundary

This CR Report contains information pertaining to the Telefónica Deutschland Group and Telefónica Deutschland Holding AG. This CR Report covers the financial year from 1 January to 31 December 2019. The report also contains information regarding relevant CR activities that extend beyond this period into other financial years. The quantitative key figures given in the report principally relate to the Telefónica Deutschland Group in the financial year 2019. Key figures that deviate from this are marked accordingly. The copy deadline for the full CR Report is 30 April 2020. This report was published in German and English at the following online address on 18 May 2020: [www.telefonica.de/responsibility](http://www.telefonica.de/responsibility).

## Comprehensive reporting in accordance with the GRI Standards

This report was prepared in accordance with the Comprehensive option of the GRI Standards. The report content was chosen on the basis of the principle of materiality and takes into account our stakeholders' crucial expectations and the impact of our business activity. The Telefónica Deutschland Group continues to develop its CR strategy. It is essential that this is embedded in all company levels and along the value chain. The CR Report comprises the chapters "Managing Corporate Responsibility", "Responsible Business", "Strengthening Life in the Digital World" and "Environmental and Climate Protection" that provide information on our CR strategy, measures, results, targets and challenges. In the chapter "Derivation and Evaluation of the CR Strategy", we methodically show how we take frameworks into account in the orientation of our CR strategy and how we continuously evaluate our CR performance. The chapter "Facts and Figures" then lists all the relevant key figures. The entire report (incl. the table of key figures and GRI Content Index) was audited by the external audit firm PricewaterhouseCoopers (PwC) in accordance with the ISAE 3000 (Revised) standard with limited assurance.

## Report formats, reporting cycle and contact

We publish a CR Report annually. Readers with comments or questions can contact our CR team at [cr-de@telefonica.com](mailto:cr-de@telefonica.com).

Our separate combined Non-Financial Report for Telefónica Deutschland Holding AG for the reporting year 2019 is available to download in English and German at [www.telefonica.de/nfe](http://www.telefonica.de/nfe). As such, we fulfil our obligation pursuant to the "Act to strengthen non-financial reporting by companies in their management reports and group management reports" (CSR Directive Implementation Act, CSR-RUG) and complement our management reporting with compact information on our sustainability achievements. The latest Annual Report can be found at the following online address: [www.telefonica.de/annualreport](http://www.telefonica.de/annualreport).

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# Shaping Digitalisation

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# Dear Readers,

We are living in turbulent times. The current situation with COVID-19 and the sense of uncertainty are a challenge for all of us. It is therefore all the more important that we maintain communication and dialogue. We are all being made very aware of how essential digitalisation, telecommunication services and, in particular, mobile communications are to our daily lives as well as for work, the economy and society. Faced with these difficult conditions, we are consciously honouring our responsibility to connect people and strengthen their interpersonal relations.

Even without the current extraordinary situation, the beginning of the new decade also marks the start of a new era. Not only are we at a crucial stage in realising the global Sustainable Development Goals by 2030, which we must do in order to pave the way for effective climate protection and social cohesion. 2020 also marks the beginning of the decade of mobile communications. Digitalisation is accelerating developments both in the economy and society. Technologies, markets and customer behaviour are changing at an unparalleled pace. 5G, artificial intelligence and the Internet of Things are revolutionising and improving our lives in little and large ways, both privately and at work. Digitalisation has the power to connect people, technology, ideas and society. This has rarely been quite so apparent as it is in these weeks and months.

Digitalisation is the key to economic success and to solving societal challenges. Companies act sustainably when they themselves become the enablers and

drivers of dynamic market developments and social progress. Backed by economic efficiency, they can put their expertise to the service of the digital inclusion of people and as well as of global climate protection. Many responsible companies are taking this path and are committing to achieving the climate goals prescribed by the policymakers. We are one of them and together with these companies, we want to keep global warming below 1.5°C.

We want to be pioneers of digital transformation and, in this way, make connections possible and shape them. To this end, we are currently investing more than ever before in the broad expansion of the LTE area and in the swift realisation of an efficient 5G infrastructure, especially in towns and cities. In this

way, we are stimulating new business models and applications based on data exchange and connectivity and are generating progress in the areas of energy efficiency as well as climate protection. We are confident that we will succeed in using digitalisation positively and in designing sustainable solutions for the major questions of our time.

At the same time, in addition to the huge potential digitalisation presents, we continue to bear in mind the challenges and risks involved for living together and the economy. A voluntary commitment to corporate digital responsibility (CDR) is therefore an integral part of the business activities of the Telefónica Deutschland Group and is clearly enshrined in our Responsible Business Plan 2020.



*“We are confident that we will succeed in using digitalisation positively and in designing sustainable solutions for the major questions of our time.”* **Markus Haas**

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For us, breathing life into CDR means, for example, taking a stand against cyberbullying. We and our supporters have adopted a clear stance and have developed action strategies with the #LOVEMOB campaign for digital moral courage and with workshops for schoolchildren to combat online hate. We want to remain at the forefront of dialogue regarding the urgent social questions surrounding digitalisation. Our Telefónica BASECAMP in Berlin serves more and more as a digital hotspot and a central discussion platform for this again and again. Our commitment underlines once again that we connect people and enable them to benefit from the achievements and opportunities of digitalisation. The focus is on people and their well-being, and this is what we wish to assume responsibility for.

Guided by our vision of becoming "Mobile Customer & Digital Champion", in 2019 we once again focused systematically on customer satisfaction and therefore prioritised network expansion and improving network quality. We intend to invest massively in our customers and our connectivity again in 2020. For example, we are allotting large sums of money to network expansion in order to become an even stronger market leader in towns and cities and improve the supply of mobile communications in rural areas. We will roll out our 5G network in Germany's five biggest cities in the second half of the year. At the same time, we are developing tailor-made 5G campus solutions together with our corporate customers to meet their specific needs.

What matters the most to us as an employer is that we handle the digital transformation responsibly internally too. We continue to develop our organisation and we want to ensure that our employees are likewise able to make the best possible use of the benefits of digitalisation. We therefore enable them to flexibly develop new skills and we strengthen our executives in their future role. We also promote smart ways of working, connected collaboration across divisions and a position of learning and growing together.

*"We connect people and enable them to benefit from the achievements and opportunities of digitalisation. The focus is on people and their well-being, and this is what we wish to assume responsibility for."* **Valentina Daiber**

Environmental and climate protection will continue to be central topics of our sustainability management. For example, we have already exceeded our energy saving target per data volume for up to 2020. We will continue with this and we have equipped our Berlin network location with state-of-the-art digital building management system technology based on IoT. To conserve resources, we are increasingly recycling hardware and are eliminating tonnes of plastic with the half-size SIM card carrier format. We are additionally transitioning our company financing to sustainability and are the first German telecommunications company to have taken out a sustainability-linked loan.

We are proud that our commitment to sustainability is widely recognised, as demonstrated by awards received by the Telefónica, S.A. Group for its global leadership in climate protection, for being people's most highly regarded European telecommunications company and for its dedication in the matter of equality. In Germany, the Telefónica Deutschland Group has been nominated for the German government's CSR prize in 2020, in the category of CSR and digitalisation.

Our aim is to move into the digital future with a strengthened strategic positioning. To do so, we will further develop our Responsible Business Plan which will expire at the end of 2020 and we will adopt a new CR strategy. In the area of concept development, we will also focus on active dialogue with our partners and we hope to receive all kinds of ideas and suggestions.

We look forward to this as much as we look forward to the many opportunities to shape sustainable digitalisation together. This will keep us connected – even more so in these challenging times. You can count on us!

**April 2020**



**Markus Haas**  
Chief Executive Officer (CEO)  
Chairman of the Executive Board of Telefónica Deutschland Holding AG



**Valentina Daiber**  
Chief Officer for Legal and Corporate Affairs of Telefónica Deutschland Holding AG

# Setting off for a decade of digital sustainability

## On the status of the digital transformation

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Now is the time to act – we only have a few years left to achieve the global Sustainable Development Goals (SDGs), make decisive advancements in climate protection, put a stop to the disappearance of habitats and species and make society future-proof. Whether we purposefully use digitalisation and mobile communications as drivers of this transformation or remain at a standstill in the face of the risks and challenges is entirely in our hands. What is important is how we use digitalisation for sustainable development.

There are many examples of digitalisation assisting us in our endeavours to achieve greater sustainability. But it has also been proved that digitalisation encourages growth patterns which far exceed the capacities of our planet as digital technologies and infrastructures leave a considerable and ever greater ecological footprint, for example due to the increasing energy consumption of servers and cloud and network technologies. And it remains to be seen whether we can maintain or win back people's trust in data security and privacy protection with digital business models.

Companies which act sustainably take on the responsibility of minimising these risks, but also have the opportunity to leverage digitalisation for

socio-ecological transformation. There is no shortage of new models and designs for climate protection, the energy transition, clean mobility, social inclusion and data protection. Corporate digital responsibility (CDR) is about not waiting for or reacting to the policymakers' requirements and legal regulations and instead proactively assuming responsibility and responsibly promoting innovations in view of the dynamic of technical changes.

We see ourselves as pioneers here and are already making use of the highly promising opportunities offered by digitalisation in our core business. We focus on people here and we want to improve their social and ecological environment. This ranges from technological innovations to protect the environment such as using digital communication and information technology to establish smart grids for a modern energy system to our ethics regarding artificial intelligence and our programmes for digital inclusion and the boosting of social cohesion.

Looking to the future, we are moving to an entirely new level of mobile communications – 5G will change our daily lives like no other telecommunications technology. With it, our opportunities to shape a

sustainable society and climate-friendly business practices are multiplied. In this way, we will lay the foundations for future prosperity.

Driving Sustainable Connectivity is our answer to the challenges of digitalisation and our contribution to the United Nations' global sustainability goals being achieved.

# Interlinked digitally – connected sustainably

We want to be pioneers of digital transformation by using digitalisation for the benefit of people and strengthening the connections between them. In what follows, we present a selection of examples demonstrating how we are shaping this path together – with innovative solutions and flexible approaches that have connecting people at the centre.

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# Portrait of the Company

The Telefónica Deutschland Group is one of the three leading integrated network operators in Germany. We offer mobile and fixed services for private and business customers as well as innovative digital products and services. In addition, our numerous wholesale partners purchase extensive mobile communications services from us. In the mobile sector, we serve the demand for mobile services as a consequence of the digitalisation of ever more areas of life.

With a total of 43.8 million mobile accesses as of 31 December 2019, we are a leading provider in this market area. In 2019, at EUR 5,301 million, mobile services were the most important revenue stream for the Telefónica Deutschland Group (72% of total volume). In this area, we offer private and business customers mobile voice and data services both on a contractual basis (postpaid) and in the prepaid segment.

We offer nationwide fixed services to complement our mobile services. Our DSL retail customer base amounted to 2.2 million as at year-end.

The Telefónica Deutschland Group generated combined revenues of EUR 7.4 billion in the financial year 2019 (2018: EUR 7.3 billion) and had 8,443 employees (2018: 8,868 employees)<sup>1</sup>.

## Varied multi-brand strategy to meet all customer needs

A key success factor of our marketing and sales approach is our multi-brand strategy. We offer private and business customers a wide range of high-quality mobile services and fixed-line products with our core brand O<sub>2</sub>. Large international businesses are addressed through the Telefónica brand.

We rely on complementary sales channels in order to serve the various customer needs to the best of our ability. Our sales landscape includes both direct sales channels including our own shops, a countrywide network of independently operated franchise and premium partner shops, online and telesales, as well as indirect sales channels such as partnerships and cooperations with retailers via physical and online channels.

With our secondary and partner brands and through our wholesale channels, we reach further groups of customers, for example ethnic groups in Germany, that we do not target with our O<sub>2</sub> brand. In addition, by means of joint activities and strategic partnerships, we offer further mobile services brands. These include, for example, Tchibo mobil and ALDI TALK, in cooperation with MEDIONmobile. Our multi-brand approach enables us to address the whole spectrum of customers



with tailored product offerings, sales and marketing, thereby increasing our potential revenue.

## The current company structure

The Telefónica Deutschland Group belongs to the Telefónica, S.A. Group with its headquarters in Madrid – one of the world's biggest telecommunications companies. The parent company Telefónica Deutschland Holding AG has its registered office in Munich and has been listed on the Frankfurt Stock Exchange since 2012 and included in the MDAX since 24 September 2018 and the TecDAX since 2013.

Among others, the wholly owned subsidiary Telefónica Germany GmbH & Co. OHG operates under the umbrella of this company.

<sup>1</sup> The total number of employees is based on active and inactive salaried employees and temporary staff (incl. working students) independent of their term limitation. TGS/TGR, the holding, trainees, interns, and degree candidates are excluded. Total employees incl. 50% of employees from Tchibo joint venture.



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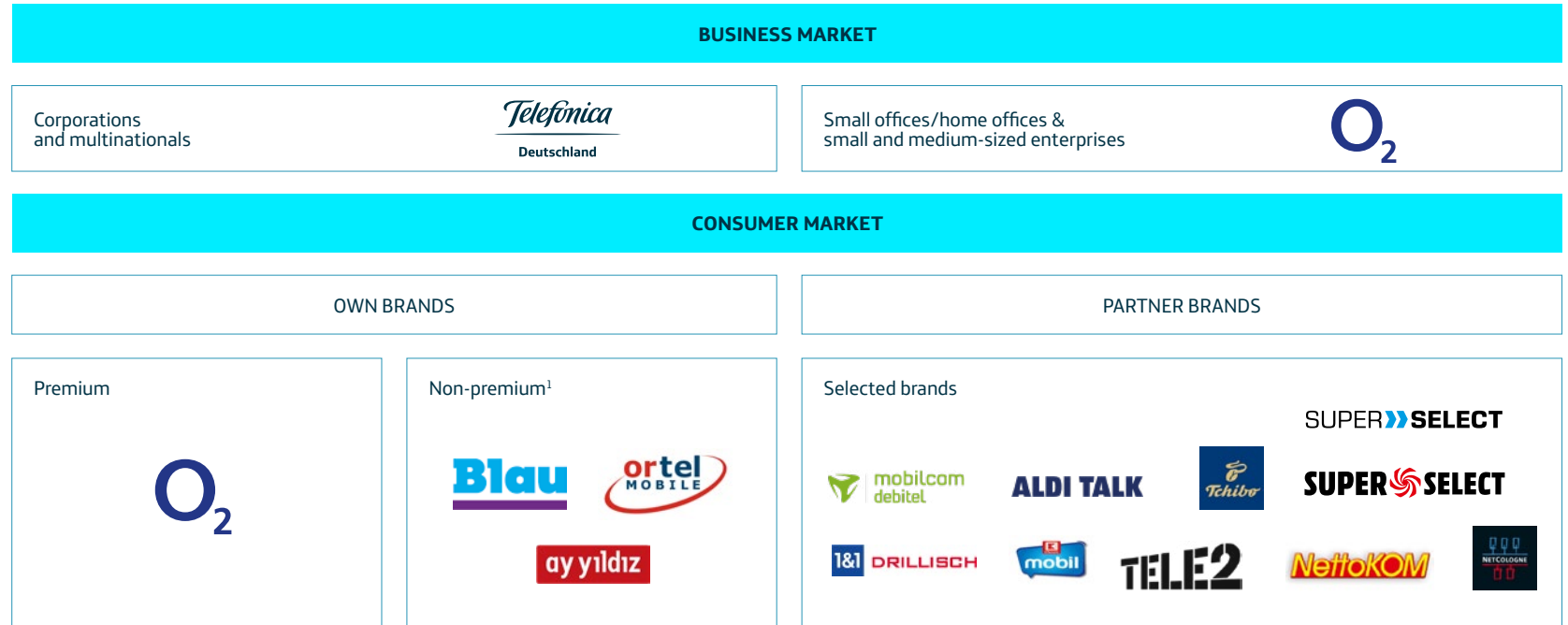
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OUR BRANDS



<sup>1</sup>Selection

# Managing Corporate Responsibility

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# We enable our customers to seize the opportunities offered by digitalisation

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New technologies are making their way into our lives – on a small and large scale, in the private as well as in the working world and in business life. Factories and our homes are becoming smart. We communicate in real time over thousands of kilometres. We drive networked cars. Today, digitalisation is omnipresent as a part of our lives.

In this extremely dynamic environment, the Telefónica Deutschland Group is a pioneer and companion: already today, no mobile phone provider in Germany connects more people than we do. Every other person uses our infrastructure. With this network and with innovative offers and services, we are enabling mobile freedom for everyone in this country. The new decade will be the decade of mobile communications – the Wireless Decade. Our ambition is clear: we want to become “Mobile Customer & Digital Champion”. As a high-performance partner with a comprehensive offering comprising connectivity, tariffs and services, we enable our customers to seize the opportunities offered by digitalisation. This applies to everyone, whether they are private customers, companies, partners or resellers, to the economy and society in Germany, to our employees, and finally to our shareholders.

The basis for this is our success story of the past more than 20 years. After entering the market in 1998 we have been able to continuously expand our business. The targeted acquisition and integration of companies such as HanseNet and E-Plus enabled us to realise

enormous economies of scale. Among other things, this led to our customer market leadership in mobile communications.

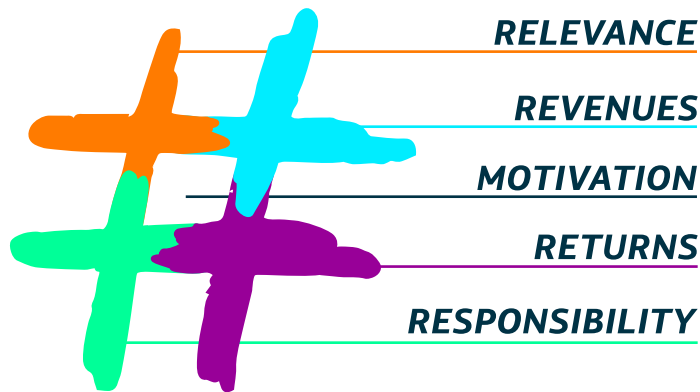
Today, we are stronger than ever before. And we have the perfect starting position for sustained growth in the age of 5G in the coming years. That is why we are opening a new chapter in our company’s history in 2020 and reaping the rewards of economies of scale and transformation.

Our growth ambitions for the years 2020 to 2022 are closely linked to the Telefónica Group’s global strategy programme #RECONNECT. #RECONNECT defines the

Group’s priorities as relevance, sales, returns, responsibility and motivation. Above all, it clearly focuses on our customers and the connection between people and technology. Because for us, this is the central prerequisite for generating sustainable growth.

The importance of Telefónica Deutschland for the Group as a whole was once again impressively demonstrated at the end of 2019. Germany was confirmed as one of the Group’s four core markets alongside Spain, Brazil and the United Kingdom. This gives us additional tailwind.

**#RECONNECT**  
*Our clear plan to meet our target*



**“MOBILE  
CUSTOMER &  
DIGITAL  
CHAMPION”  
2022**



## Business strategy and sustainability strategy closely dovetailed

Our CR strategy and our business strategy #RECONNECT are closely interlinked. The CR topics identified as material can be assigned clearly to the

individual dimensions of #RECONNECT and serve to drive us on our way to becoming "Mobile Customer & Digital Champion". We aspire to make a contribution to achieving the SDGs and to society's sustainable transformation with our activities that fall under the CR topics and focal areas.

We integrate sustainability by means of fixed structures in our business processes with the aim of putting our company on a forward-looking footing. Our clear commitment to sustainable business practice where our core business is concerned makes an additional positive contribution to the reputation of the Telefónica Deutschland Group and minimising business risks.

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**Our sustainability strategy is integrated into our business strategy and contributes to the UN Sustainable Development Goals**



Direct contribution to society through our business

Responsible business practices

Strategic priorities

- 5G technology 90% more energy-efficient
- Network 100% powered by green energy

- Resources protection
- Recycling of devices

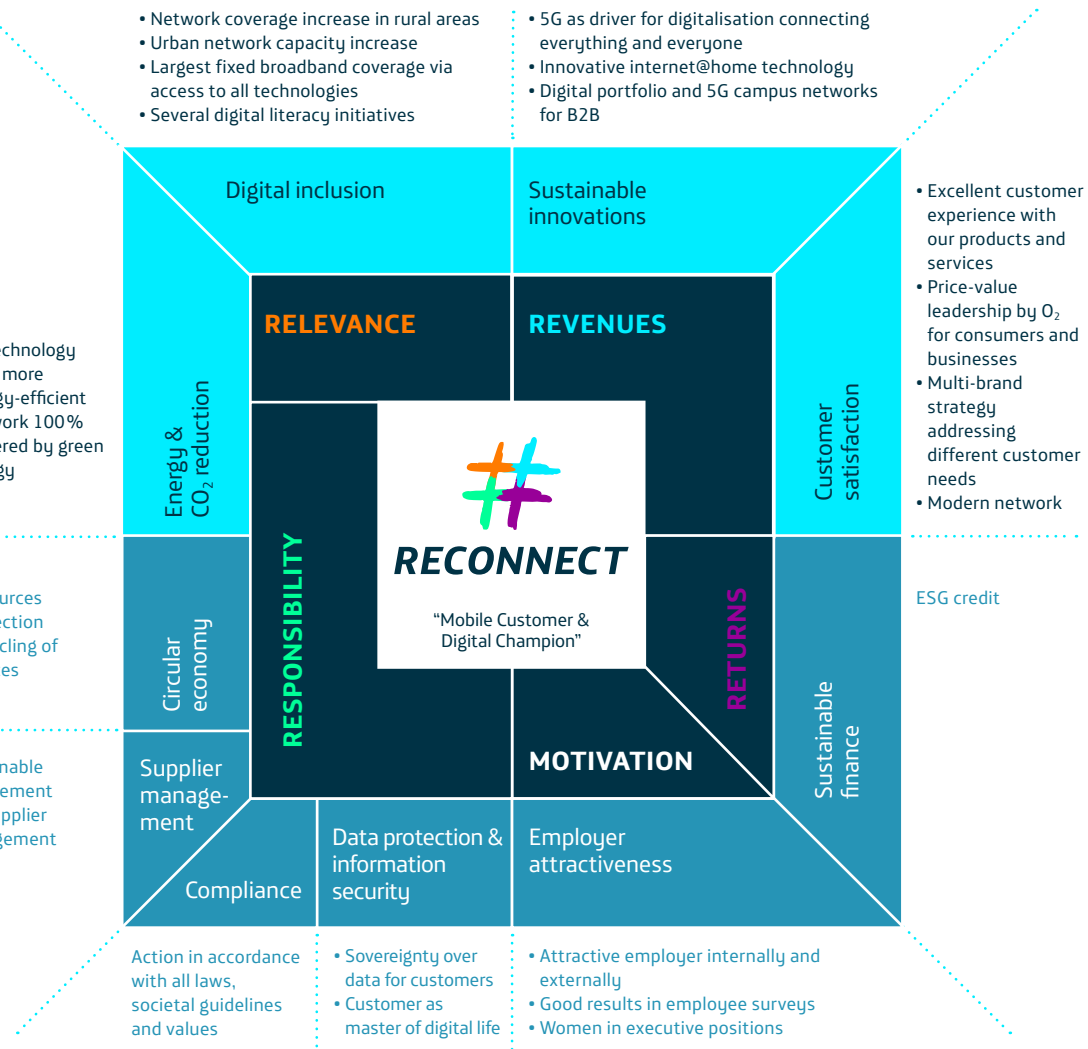
Sustainable procurement and supplier management

- Network coverage increase in rural areas
- Urban network capacity increase
- Largest fixed broadband coverage via access to all technologies
- Several digital literacy initiatives

- 5G as driver for digitalisation connecting everything and everyone
- Innovative internet@home technology
- Digital portfolio and 5G campus networks for B2B

- Excellent customer experience with our products and services
- Price-value leadership by O<sub>2</sub> for consumers and businesses
- Multi-brand strategy addressing different customer needs
- Modern network

ESG credit



# Comprehensive CR strategy serves as a compass

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We aim to use technological innovations to solve societal challenges and promote sustainable development. We want to use digitalisation for the benefit of people and strengthen the connections between them. At the same time, in the interests of responsible corporate governance, we keep an eye on the impacts that all of our business activities have on people and the environment. We want to guarantee this all along the value chain and at all the company levels. We are constantly developing our CR strategy in order to meet the changing expectations of our stakeholders, increasing external regulation and our own demands as a company that conducts itself responsibly.

## Responsible Business Plan focuses on three key areas

In 2015 the Telefónica Deutschland Group developed a holistic CR strategy that takes into account the business-strategic focus as well as the expectations of our stakeholders. This CR strategy is based on the results of a materiality analysis. The analysis included a stakeholder survey and an evaluation of the impacts of our actions and the relevance to business of potentially pertinent issues. This provided 25 material topics for the Telefónica Deutschland Group, which were transferred into a matrix. Subsequently, the three key CR areas “Responsible business”, “Strengthening life in the digital world” and “Environmental and climate protection” were determined. We developed our

Responsible Business Plan 2020 based on this in 2016 to manage our commitment to sustainability. In the plan, CR issues relevant to the key areas were defined along the value chain and respective overarching targets up to the end of 2020 were developed. We presented the Responsible Business Plan 2020 in detail in the CR Report 2016.

## Digital responsibility as part of our strategy

The consequences of the digital transformation on the environment and society and the changes in our stakeholders' requirements are the focal point of our corporate responsibility strategy. Shaping digitalisation responsibly is the prerequisite for creating trust in society for the digital transformation. The Telefónica Deutschland Group aims to play an active and key role in shaping the digital transformation. In the course of this, we not only facilitate the use of digital apps but also use algorithms and artificial intelligence ourselves. Our mission is as “Mobile Customer & Digital Champion” to be a pioneer and differentiate ourselves from the competition in this area. To achieve this, we not only want to make our customers' lives easier and better – we are also affording them maximum mobile freedom in the digital world. Our success is to be decided by the customers having a consistently positive experience with the brand, the products, the customer service and the network.

We make use of the digital transformation in developing our business models and our organisational structure. We would like to make use of the potential and the opportunities that digitalisation offers in the area of sustainable development to the fullest extent possible. This is also where we derive our responsibilities in the digital world. We have established these clearly and measurably in our Responsible Business Plan 2020.

## Regular review and integration of new requirements

The CR strategy is verified annually with regard to the relevant topics that were determined through the materiality analysis. All involved departments are integrated in workshops and the latest developments are enquired about. Current industry activities and studies are also evaluated in order to fully examine the relevant topics. This allows changes to be identified with regard to impacts of the Telefónica Deutschland Group, the relevance for our stakeholders and our business operations. The results of this examination are integrated into our strategy process. You can find more details about how material issues were determined in [chapter 6.1](#). We are performing a comprehensive update of our materiality analysis and our CR strategy in 2020, to serve as the basis for our Responsible Business Plan 2025. Here, we intend to achieve even greater dovetailing with our corporate strategy.

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## Non-financial risks

We aim to achieve positive impacts on individual aspects and minimise negative consequences as fully as possible. The risks associated with the material issues are the focus for the Telefónica Deutschland Group. Our management concepts are designed to help to effectively minimise risks. See our [Non-Financial Report](#) for more details on this.





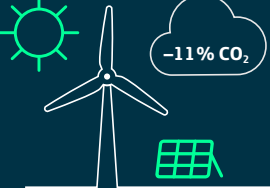

## Detailed reporting

In our strategy process and the choice of the most important sustainability issues, not only do we take stakeholder expectations into account, but also the impacts on society as well as the business relevance. We derive our focal points for the CR reporting here. Reporting in accordance with the GRI Standards examines above all the stakeholders' perspective and our societal impacts. [Chapter 6.1](#) shows a GRI materiality matrix that includes both approaches. We support the National Action Plan for Business and Human Rights (NAP) and report in the context of this report on our human rights due diligence. You can find more details on our CR subjects from a human rights perspective in [chapter 6.2](#). We are conscious of the fact that climate change also presents our business model with various opportunities and challenges which we rise to. We are

therefore reporting on the financial impacts of climate change on our company in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for the first time in this CR Report, in [chapter 6.3](#). In [chapter 6.4](#), we present examples of the sustainability ratings and rankings as well as indices we are listed in and how we integrate the subject of sustainable finance into our actions.

With the implementation of our Responsible Business Plan 2020 we are likewise actively supporting the achievement of the UN's Sustainable Development Goals (SDGs). [Chapter 6.5](#) shows the relation of the contributions we make to the SDGs within the Responsible Business Plan 2020 areas of action. The Responsible Business Plan 2020 status quo can be found in [chapter 6.6](#).

### TELEFÓNICA'S RESPONSIBLE BUSINESS PLAN 2020

|   |  |  |
|---|--|--|
| <p><b>RESPONSIBLE BUSINESS</b></p> <p>We are a fair and trustworthy partner for our stakeholders. In the years leading up to and including 2020 we achieve consistently good to very good results in relevant external assessments and our stakeholder surveys.</p> | <p><b>STRENGTHENING LIFE IN THE DIGITAL WORLD</b></p> <p>We succeed in encouraging all people to embrace the digital opportunities available and develop their skills in everyday digital life according to their individual requirements and wishes. In the years leading up to and including 2020 over 50 million people benefit annually from our products and programmes, enabling them to live digital and independent lives.</p> | <p><b>ENVIRONMENTAL AND CLIMATE PROTECTION</b></p> <p>We harness the opportunities provided by digitalisation to cut raw-material and energy consumption. By 2020 we aim to have reduced our direct and indirect CO<sub>2</sub> emissions by 11% compared with 2015.</p> |
|  <p>COMPLIANCE   EMPLOYER   SUPPLY CHAIN   CUSTOMERS</p>                                      |  <p>DIGITAL INCLUSION   SUSTAINABLE INNOVATIONS   DATA PROTECTION</p>    |  <p>CONSERVATION OF RESOURCES   ENERGY &amp; CO<sub>2</sub> REDUCTION</p>                      |



# Efficient CR management through clear governance

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### 2.3 CR Management

### 2.4 Stakeholder Engagement

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Our CR strategy is approved by the Management Board and is aligned with the corporate strategy of the Telefónica Deutschland Group and the global sustainability strategy of the Telefónica, S.A. Group. We have established clear governance structures and processes in order to put the guiding principles and requirements into day-to-day practice. The CR department thus designs and manages activities universally for all departments and company locations in accordance with the three strategic focal areas "Responsible business", "Strengthening life in the digital world" and "Environmental and climate protection". It monitors achievement of the CR goals and plans new measures together with the departments. The CR department also draws on the management systems embedded in the company which are in accordance with the standards ISO 50001 (energy management), ISO 14001 (environmental management) and ISO 9001 (quality management) for the purposes of goal formulation and a continuous improvement process. As an executive department, the CR department is assigned to the Management Board division Legal and Corporate Affairs of Telefónica Deutschland Holding AG and reports directly to the Management Board member responsible for Legal and Corporate Affairs. The Supervisory Board is integrated into the creation of the Non-Financial Report for the fulfilment of the requirements of the CSR Directive Implementation Act (CSR-RUG). The material topics for the Non-Financial Report and the corresponding performance indicators are agreed and cleared during the Supervisory Board meetings.

## In dialogue with our stakeholders

Close interaction with external and internal partners is especially important to the Telefónica Deutschland Group. The CR department maintains intensive and continuous dialogue with the relevant stakeholders in order to understand what is expected of the company and identify important topics and trends in good time. The CR department regularly maintains direct contact with the individual departments and, furthermore, exchanges information in different committees, such as the CR committee, the environment committee and the energy committee. Here, the general strategies are discussed, progress is established and projects and measures are evaluated. In addition, issues brought to the attention of the CR department are evaluated by senior management within the framework of strategy workshops. The results are reported to the Management Board. When it comes to overarching specialist and Group-wide issues relevant to corporate responsibility, the Telefónica Deutschland Group confers with the Telefónica, S.A. Group.

To effectively manage the diverse and heightened requirements in the area of human rights as necessitated by, for example, the National Action Plan for Business and Human Rights (NAP), we introduced a human rights committee as a new steering body in 2019. The committee's quarterly meetings are attended by representatives of the Corporate Responsibility, Compliance, Purchasing, Legal and Human Resources departments. The human rights committee assumes the following roles/responsibilities:

- Assignment of operating responsibility
- Pooling of human rights expertise
- Ensuring the ability to adapt management approaches and policies quickly
- Monitoring the topic of human rights
- Monitoring the grievance mechanism and channel and auditing the existing measures
- Central point of contact/advice for other departments and affiliated companies

The human rights committee reports to the Management Board on a half-yearly basis concerning the company's observance of its human rights due diligence obligations, the latest developments in relation to human rights and the progress made with the implementation of the measures, such as with regard to fulfilment of the requirements of the NAP and its core elements.



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## Using performance indicators to gauge target attainment

Our actions are guided by clear commitments to each of the nine CR topics covered by the Responsible Business Plan 2020. These can only be altered through a Management Board decision. Concrete CR targets for the commitments are established together with the departments annually and cleared

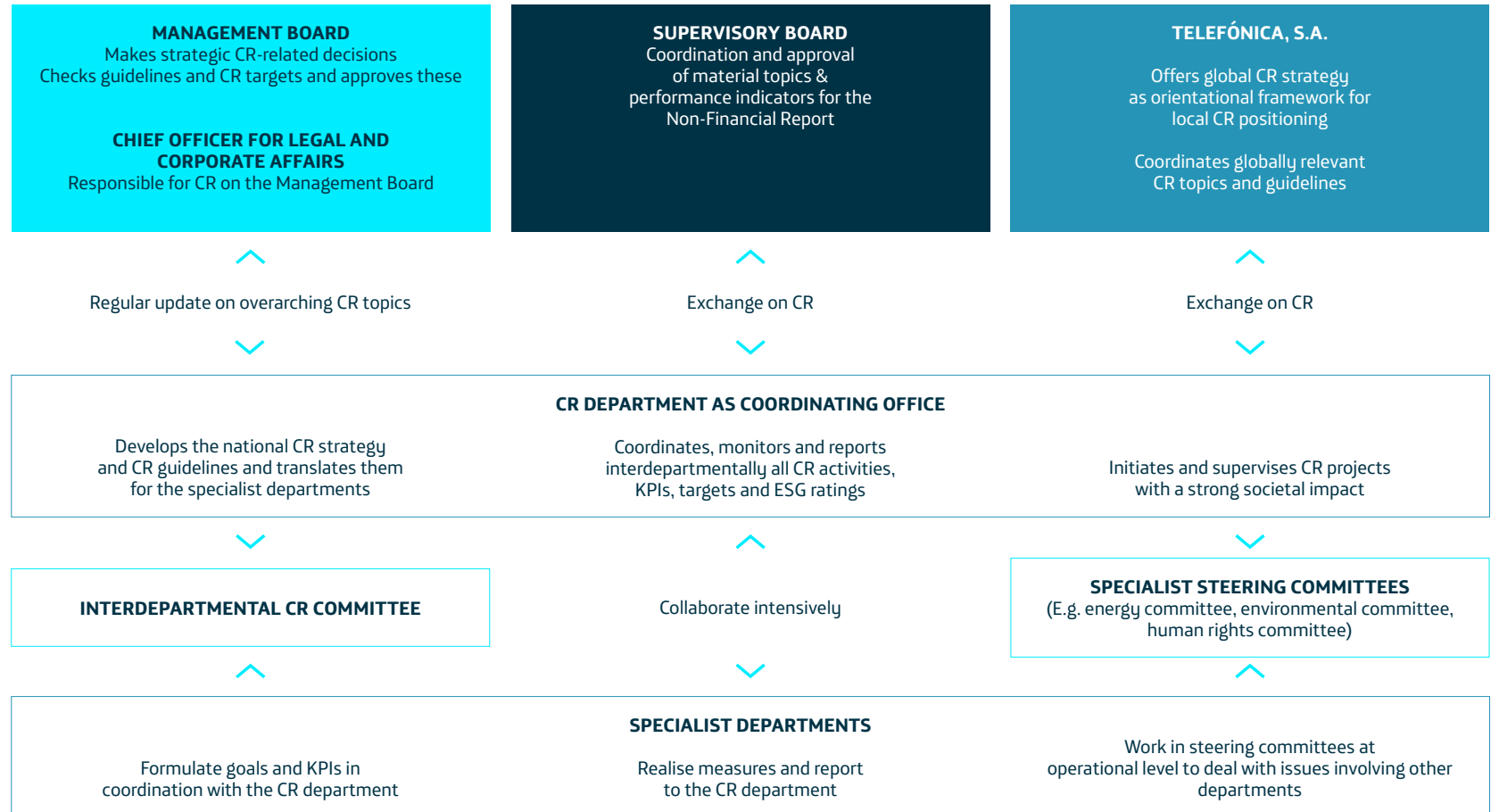
by the Telefónica Deutschland Group Management Board, the highest management level. The targets are integrated into the management processes and are made quantifiable via meaningful key performance indicators (KPIs).

The extent to which the CR targets have been attained is regularly reviewed together with the senior management of the departments involved. The

target attainment level is also reviewed and tracked by the Management Board every six months.

In addition, an independent accounting firm annually audits the non-financial key figures published in the CR Report. The intermediate status of the implementation of our Responsible Business Plan 2020 in 2019 and our targets for 2020 are shown in [chapter 6.5](#).

### CR MANAGEMENT IN THE TELEFÓNICA DEUTSCHLAND GROUP



# Ongoing dialogue with our stakeholders

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Our goal is to enrich people's digital lives with innovative offerings. At the same time, we want to be a fair and trustworthy partner for our stakeholders and find out more about their needs. In this respect, transparent communication and dialogue with customers, employees, suppliers, policymakers and society are especially important. We endeavour to strengthen the connections with our partners and among people, form networks for digital progress and highlight the benefits of cooperation that is close and on a sustainable basis. We simultaneously endeavour to do better at recognising the impact that our actions have, so that we can further develop our business model with a focus on the benefits for society.

The Telefónica Deutschland Group is proactively committed to the debate about people- and value-based digitalisation and about the future of digital life. We use the BASECAMP, opened in Berlin in 2011, as the central venue for this debate. There, established event series and new unconventional talk formats are used to discuss the trends, opportunities and challenges of digitalisation with influencers, entrepreneurs, start-ups, consumers, politicians, scientists and first and foremost interested citizens.

### STAKEHOLDER MANAGEMENT AT TELEFÓNICA DEUTSCHLAND



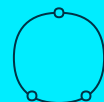
#### COOPERATION

We communicate with our stakeholders through projects and intensive dialogue, thereby developing future-oriented solutions together.



#### DIALOGUE

Via various formats, we maintain close contact with our stakeholders and engage in an open dialogue – both digitally and personally.



#### CONSULTATION

We actively integrate our stakeholders, for example through surveys on classifying the relevance of topics and their opinion of the company or even current issues.



#### INFORMATION

We use numerous channels to inform our stakeholders with regard to current developments, news concerning our topics, and offerings and products.



#### EMPOWERMENT & ENGAGEMENT

We are committed to further empowering stakeholder groups in the digital world; this takes the form of programmes and initiatives in close cooperation with a variety of organisations.

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### LOCAL AUTHORITIES

Cooperation as part of the network expansion

Consensus finding on locations

Joint pilot projects on infrastructure measures



### EXTERNAL INITIATIVES

Cooperation with business, science and civil society on CR-relevant subjects

Participation in the Umweltpakt Bayern (Bavarian Environmental Pact) and Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)

"Wirtschaft macht Klimaschutz" (Economy Does Climate Protection) dialogue forum

Partnership with the Global Digital Women initiative



### CUSTOMERS

Contact via shops, hotlines, chat, innovative formats such as the "O<sub>2</sub> Pop-up" shop, social media, forums

O<sub>2</sub> Gurus in the shops, hotlines, short videos, online chat, social media and in training

Self-service with the My O<sub>2</sub> app and o2online.de



### INFLUENCERS FROM DIGITAL INDUSTRY, BUSINESS AND SCIENCE

Telefónica BASECAMP with formats like Data Debates, Digital Masterminds and UdL Digital Talk in order to push the social debate on the role of data, AI and a new way of working



### SECURITY AUTHORITIES

Cooperation with judicial and security authorities in accordance with legal requirements



### SUPPLIERS AND BUSINESS PARTNERS

Continual close discourse with our suppliers, including on the basis of ongoing assessment results

Genuine feedback culture



### POLITICAL AND ADMINISTRATIVE SPHERES, BUSINESS AND ASSOCIATIONS

Regular dialogue with, for example, local authority associations to keep local authorities up to date on network expansion

Regular events relating to current political issues The Telefónica Deutschland Group's UdL Digital Blog

Membership of relevant associations



### SHAREHOLDERS

Annual General Meeting

Reporting on the quarter and financial year

Capital market stakeholder management

Non-Financial Report and CR Report

Sustainability ratings



### EMPLOYEES

Annual employee survey

Works council meeting

Events such as "Vorstand im Dialog" (Management Board in Dialogue) and "Kaffee & Croissant" (Coffee & Croissant) with the Management Board

DigitalBrain intranet tool

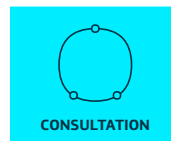
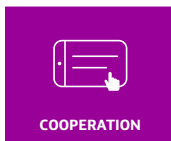
Comments function for employees on the intranet



### NGOs

Partnerships and knowledge exchange via programmes with the German Children and Youth Foundation (DKJS), the German Children's Fund, the Digital Opportunities Foundation and the non-profit company AfB social & green IT

Intercommunication on specialist and social topics with NGOs such as B.A.U.M. e.V., NABU e.V., South Pole, the UBA for example for Blue Angel, study support and participation, for instance with Environmental Action Germany or Germanwatch e.V.



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## Tagesspiegel Data Debates: interactive and with high-calibre panellists

As an initiator and partner of the *Tagesspiegel* newspaper's Data Debates, we invite high-calibre guests from the worlds of politics, business, science, religion and culture to debate the impact of digitalisation on society. The key events in 2019 included Data Debate #14 entitled "Climate killer or climate saver – how sustainable is digitalisation?". Scientists, administration experts, entrepreneurs and Fridays for Future activists examined increasing resource and electricity consumption due to digital processes and the potential offered by digitalisation in the area of climate protection.

The panellists for the 13th Data Debate attracted a lot of attention, discussing digital citizens' movements as a new societal force. The debate focused on the issues of whether the Internet and social media are creating a new culture of political debate and what rules are needed in order to encourage the younger generation in particular to act. In addition to online activists, those who took a stance included member of the German Bundestag Renate Künast of the Alliance 90/The Greens party and Sawsan Chebli, Berlin State Secretary for Civic Engagement and International Affairs, both of whom reported on their experience of digital political dialogue with citizens.

A special feature of the Data Debates is that both the visitors in attendance and Twitter users can interactively participate in the discussions. They are able to cast their vote on specific questions being discussed by the panel in real time during the event.

## UdL Digital Talk: federal politicians and societal stakeholders in dialogue

In the UdL Digital Talk format, which has been running since 2010, high-ranking politicians come together with opinion leaders to discuss topical issues relating to German and European digital policy. The guests who have attended the political discussion platform held at the BASECAMP include Andreas Scheuer, Heiko Maas, Ursula von der Leyen, Peter Altmaier, Jürgen Trittin, Sahra Wagenknecht and other well-known politicians.

The highlights of the 2019 series included the discussion between Ralph Brinkhaus, leader of the CDU/CSU parliamentary party in the German Bundestag, and media entrepreneur Katarzyna Mol-Wolf, editor of

the women's magazine Emotion, who discussed how digitalisation is changing the democratic scope for action and job profiles in politics and business. Both Brinkhaus and Mol-Wolf highlighted first and foremost the opportunities of using social media to come into direct contact with citizens and users and communicate positions.

In another UdL Digital Talk, Dr Sarah Müller, Managing Director of kununu GmbH, Europe's largest company rating platform, and Federal Minister of Labour and Social Affairs Hubertus Heil discussed the challenges of the new working world. The issues addressed in particular were gender equality, self-employment, flexibilisation, mobile work, professional development, work-life balance and the issue of how politics can create secure parameters for digital transformation.



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## AI-Hub Europe: artificial intelligence as the top topic

Again and again, the BASECAMP incorporates new topics concerning the digital world and it has developed numerous innovative dialogue event formats. One of these is AI-Hub Europe's Lunch Talk on the trend topic of artificial intelligence. AI-Hub Europe is considered a leading website for news concerning and analyses of the topic of artificial intelligence. The business magazine *brand eins* serves as the talk format's media partner. There has been a great deal of discussion in recent months regarding Germany's AI strategy, the role of the EU, the ethical principles of using AI and the protection of consumer interests. In addition to stakeholders in the field of AI, Telefónica Deutschland Group experts and association representatives, the format was attended by policymakers such as Saskia Esken, chair of the SPD and member of the German Bundestag's artificial-intelligence study commission.



## Dialogue formats for all generations

We established the young+restless networking meeting for young executives and decision makers from Berlin's political arena, the start-up scene, the media world and the creative industry. The event series is curated by meko factory in cooperation with polisphere and is sponsored by other supporters such as the German Association for Small and Medium-sized Businesses, the German Startups Association and Civey. The top items on the agenda in 2019 were virtual and augmented reality, political participation via social media, agile working worlds and the digitalisation of agriculture.

In the Generation Digital event series held at the BASECAMP, we discuss the societal challenges of

digitalisation for various age groups. To mark National Respect Day, we organised a workshop on the topic of cyberbullying and cyberviolence for around 100 schoolchildren. This gave the young people the opportunity to develop strategies countering online attacks and for more educational work and prevention in schools together with online experts.

The needs and opportunities for participation of the older generation likewise feature in this series again and again. For example, experts and interested parties came together for a dialogue event to discuss the benefits of artificial intelligence for the elderly, both in their day-to-day lives and in terms of health and nursing. The focal issues were the diminishing of people's fears and reservations regarding data protection and ethical standards when interacting with the elderly.

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## Studies, tests and surveys accelerate new solutions

We want to get progressively better at understanding the latest societal challenges and we want to incorporate them into our day-to-day work. To boost our expertise, we initiate and promote a large number of analyses and surveys. For example, a representative [study](#) (German) commissioned by us in 2019 showed that the smartphone is increasingly becoming the control centre of our day-to-day digital lives and has long since ceased to be merely a means of contact and communication. The majority of people see it as beneficial and as being increasingly important for many areas of their life. This is confirmed by more than 80% of 18- to 49-year-olds.

Another study commissioned by us shows that the distinction between using mobile and fixed-line networks is becoming increasingly blurred. Six out of ten consumers no longer differentiate between using the Internet when on the move or in their own home. Among 18- to 29-year-olds, this rises to 72%. For one thing, this is made possible by modern smartphones, tablets and wearables with a variety of applications. The customers also appreciate having convenient access to the digital world and having all services provided from a single source, for example in the form of a single contract for mobile communications, the fixed-line network and the Internet.

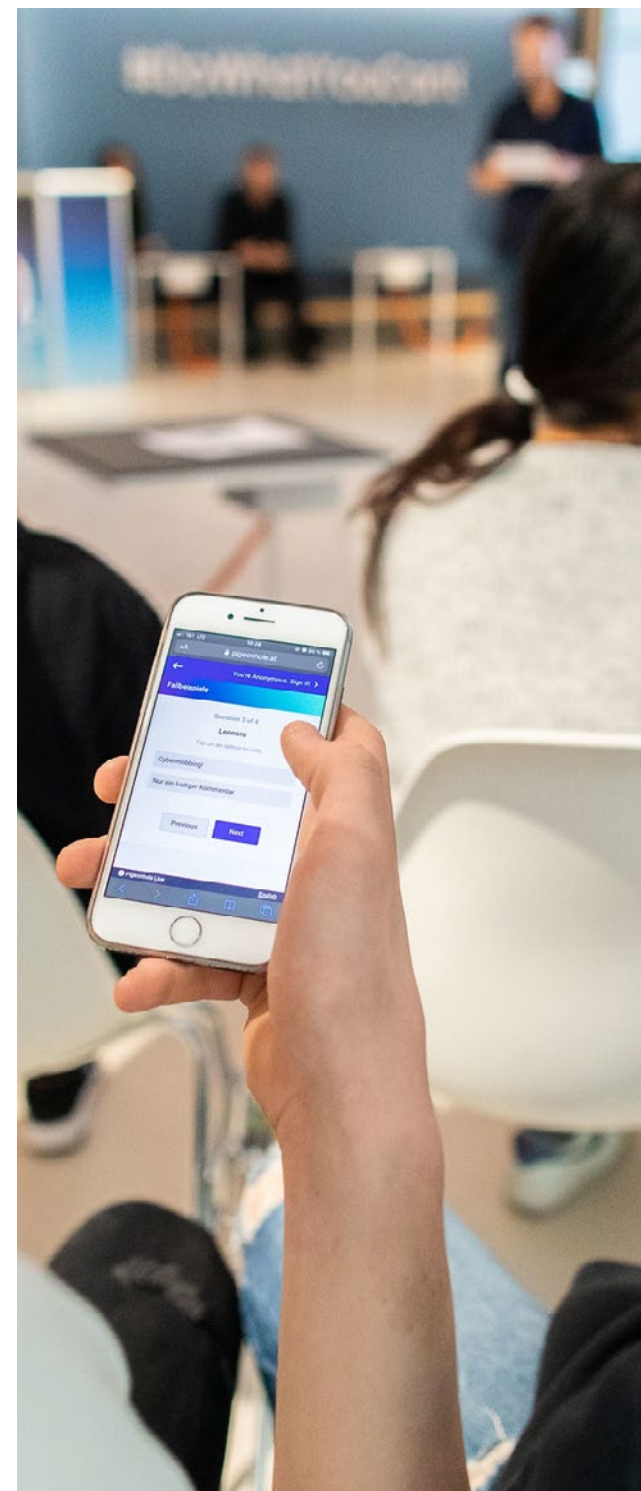
The Telefónica Deutschland Group tested fixed wireless access (FWA) based on 5G in Hamburg in 2019. Compared with conventional DSL, this technology makes swift broadband provision to households and small businesses possible with high-quality gigabit connections – without the costly laying of fibre-optic

cables. During the trial period, private households were able to surf online, stream films in 8K UHD and use their usual day-to-day applications in top quality at high speeds of up to a gigabit per second. The trial was supported by the Korean technology company Samsung Electronics.

We were again involved in IDG Research Services' Internet of Things study as a partner in the reporting year, this giving us detailed insights into companies' IoT projects. This annual survey keeps us continuously supplied with benchmarks, enables us to respond to changing requirements and allows us to offer our business customers the best possible support in the form of the Telefónica Deutschland Group's IoT solutions.

The current Internet of Things study makes it clear that IoT solutions have long since ceased to lead a niche existence. The application scenarios are becoming more varied, above all with the future expansion of 5G. The focuses here are quality assurance projects for Industry 4.0 and so-called smart connected products. We can corroborate this development based on increasing demand for machine-to-machine products and comprehensive company solutions. A prime example is our central pilot project for Mercedes-Benz Cars in Sindelfingen, where we are installing the world's first 5G network for use at one of the most state-of-the-art automobile production plants.

The vast majority of the companies surveyed are either satisfied or highly satisfied with the results of their IoT projects. The companies benefit above all from greater profitability, an improved image and a higher level of innovation. Planned future IT spending will focus in particular on new technologies such as blockchain, AI and robotics.



# Responsible Business

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### Our ambition

We are a fair and trustworthy partner for our stakeholders. In the years leading up to and including 2020 we achieve consistently good to very good results in relevant external assessments and our stakeholder surveys.

### Target attainment



# Customer Satisfaction

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## Commitment

We offer our customers the best product quality, price-performance ratio and service experience, the latest innovations and a modern network infrastructure. By 2020 we will offer one of the best customer services in the industry with a high level of customer satisfaction.

## Our achievements

We invest in our network infrastructure and supply an additional 80,000 people in rural areas with LTE each week. We increase customer satisfaction and receive excellent external evaluations.

### Target attainment



## Focused SDGs

Our customers and their well-being are our top priority. We wish to offer everyone access to digital services and are promoting technical innovations in addition to expansion of the network infrastructure while taking the stringent radiation restrictions into account.





# Satisfied customers as the basis for success

## BASIC PRINCIPLE

### The focus is on the customer

Advancing digitalisation is changing all areas of our lives. The spheres of politics and business consider it their responsibility to shape this development advantageously for people. One core promise is that digitalisation will lead to further growth and prosperity. As a digital telecommunications provider, we are at the heart of this development technologically and with the services we provide to the customers. We are active in markets which are characterised by stiff competition and ongoing technological developments. Our company faces increasing competition from other telecommunications providers. In an environment characterised by momentous technical change, we face the challenge of anticipating and implementing technical requirements and the customers' wishes in good time. We therefore aspire to enabling everyone to participate in digital life and to use the advantages of digitalisation as it best suits their wishes and needs. In this regard, offering our customers transparency at all times regarding how their data is used and allowing them to determine themselves how it is used are top priorities for us.

The satisfaction of our customers is the foundation of our corporate success. We have a vision of becoming "Mobile Customer & Digital Champion" by 2022.

Network quality, cost-effectiveness and product and service quality are among the decisive factors in guaranteeing satisfaction. Here, we consider dealing with customers fairly and with respect to be self-evident.

We aspire to seeing the world through the eyes of our customers and providing them with attractive and simple self-service offerings that suit their habits and needs. Our customers should also always be able to choose the channel of communication with us that they prefer. We aim to make online customer experiences even better still by further expanding digitalisation.

## PROCESSES & MANAGEMENT

### Transparently gauging customer satisfaction

The Chief Consumer Officer (CCO) and the Chief Partner and Wholesale Officer (CPWO) of Telefónica Deutschland Holding AG bear overall responsibility for the area of customer satisfaction. The CCO is responsible for private customer business with a clear focus on the customer experience, the position of Chief Partner and Wholesale Officer has responsibility for business with partners, and the Chief Executive Officer (CEO) is in charge of the B2B division. Central management of customer satisfaction is firmly embedded in the company with the B2C directorate Customer Experience & Transformation.

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We measure customer satisfaction at all levels to the fullest extent permitted by data privacy legislation – at the market level, at all the direct and indirect customer touchpoints (customer journey) and at the contact level (i.e. directly following customer contact). We hope to derive relevant knowledge and measures from this in order to improve customer satisfaction further. The central key performance indicators we use are the Net Promoter Score (NPS), which is the most important control parameter, the Customer Satisfaction Index (CSI) and the churn rate (excluding M2M).

The CSI is determined through a telephone survey of our company’s private customers and of our competitors’ customers; these are conducted externally. The survey is carried out several times a year according to precisely defined criteria. The difference between the customers’ wishes and their perception of the service can be measured through the arithmetic mean in the answers to three questions regarding overall satisfaction, the fulfilment of customer expectations and the gap when measured against a fictional ideal service provider. The scale ranges from 1, very low customer satisfaction, to 10, very high customer satisfaction. We are aiming to stabilise the 2017 CSI figure of 7.18 and then improve it annually in the long term. We were able to improve the CSI figure year-on-year to 7.61 in 2019 (2018: 7.49).

| CUSTOMER SATISFACTION   | UNIT  | 2017 | 2018 | 2019 |
|---|-------|------|------|------|
| Customer Satisfaction Index (CSI)   | Index | 7.18 | 7.49 | 7.61 |
| Postpaid customer churn rate<br>Churn for postpaid connections excluding machine-to-machine (M2M) | %     | 1.61 | 1.65 | 1.51 |

The Net Promoter Score (NPS) verifies customer willingness to recommend the O<sub>2</sub> brand and our partner brands. It reflects the overall satisfaction with the brand as well as with its products and services. The NPS survey is part of the CSI survey, which is carried out by telephone. All NPS improvement measures have the aim of optimising the customer experience.

The churn rate is the migration rate of postpaid customers over a certain period of time divided by the total number of contract customers (postpaid connections excluding M2M). At 1.51 %, we achieved a year-on-year improvement here (2018: 1.65 %).



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## Using customers' wishes and feedback for improvements

In order to keep customer satisfaction high, the Telefónica Deutschland Group responds to incoming queries as quickly as possible and according to defined workflows. We use the feedback we receive from our customers and employees in a continuous improvement process to optimise our procedures and therefore the customer experience too. With our customers' consent, we use among other things automated speech analysis for incoming telephone calls in order to evaluate the reasons for the calls and the wishes of customers faster and to record them systematically. Our employees can also directly make a record of improvement suggestions and customer wishes that arise in dialogue with the customers and then pass these on and implement them as part of the continuous improvement process.

Through the speech analysis as well as via regular employee feedback from the operating units, conspicuous fluctuations in contact reasons or voiced customer problems are reported and we use these to derive concrete improvement measures. These are analysed and implemented as promptly as possible as part of the continuous improvement process. The chosen topics are respectively assigned to a person responsible and the progress made with them is tracked via weekly documentation.

We have set ourselves ambitious targets in the area of customer satisfaction in our bid to become "Mobile Customer & Digital Champion" by 2022: we want to offer excellent customer service with a high level of customer satisfaction. We evaluate the status of our target attainment on the basis of internal performance indicators taken from direct customer surveys as well as from external evaluations such as the regular tests conducted by the special-interest magazine *connect*. We received various accolades in 2019 for our strong performance in the areas of mobile and fixed-line

network quality, the availability and quality of our hotlines, customer apps and the advice given in shops. We were also given recognition by organisations and the media for our customer service and for our collaboration with our specialist retail partners. An overview of some of the awards can be found in [chapter 7.2](#).

We are also improving and expanding our digital offerings and aim to provide the customer with uncomplicated customer service round the clock and independent of location. Our target is for 76% of all instances of contact to be digital in the self-service area by the end of 2021 (2019: 72%).

### STRATEGIC PRIORITIES

## Digital road map for greater customer satisfaction

The focus of our measures planning is on improving the customer experience. That is why, in addition to optimising the quality of our customer service, we are also aiming to improve contact possibilities by pushing on with digital solutions based on our digital action plan. At the same time, we want to inspire our customers to make self-determined use of digital technologies with our products and base our communication measures on this.

The action plan includes among other things the continual expansion and development of digital offerings in the self-service area, such as our digital assistants Lisa (chatbot for processing customer queries) and Aura (AI for optimising business processes). We launched Aura with some initial applications which we continue to improve and expand. We adopted WhatsApp as a new communication channel that enables the customers to raise an issue with us at any time. We are continually analysing opportunities to use additional innovative channels as part of our digital action plan.

The focus of our Digital4Growth (D4G) transformation programme implemented in 2019 was the customer and their needs and experiences. For example, we analysed the individual stages that a person who becomes a customer goes through, from interest to purchase to active use (customer journey mapping). In this context, we have also worked on standardising and simplifying communication throughout the customer relations life cycle.

We were able to steadily and significantly improve service-related customer satisfaction over the last two years with additional measures in the areas of friendliness and the problem resolution rate as well as with specially adapted training, communication, management and reporting tools. We also significantly simplified our DSL processes with a system migration of our fixed-line customers, with which we are additionally seeking to further improve our customers' service experience.

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## Making digital freedom possible for all the customers

O<sub>2</sub> once again emphasised its positioning as a “brand of freedom” with its new campaign “Für mehr O in deinem Leben” (For more O in your life). This revolves around the topic of entertainment as these days people use their mobile freedom to be online and be entertained anywhere and at any time. The smartphone plays a key role here as the control centre of digital day-to-day life. The campaign focuses on people’s personal Internet experiences, with these illustrating how our O<sub>2</sub> products enhance our customers’ lives because O<sub>2</sub> customers are able to choose flexible options according to their wishes and needs.

We also reinforced people’s individual digital freedom in our brand communication with the so-called Freedom Season at the O<sub>2</sub> Live stores. Here, O<sub>2</sub> offers a large number of smart devices that can be combined with the new O<sub>2</sub> Free tariffs. The O<sub>2</sub> Helpbox installed at selected locations allows users to talk to our customer advisers personally in a video chat and be given advice on the entire array of products. Our O<sub>2</sub> shops and partner shops remain important contact points for dialogue with our customers. With our “store of the future” shop concept, we invite our customers to discover the fascinating opportunities offered by the digital world via live applications in-store. In addition, our O<sub>2</sub> Gurus constitute an integral part of our customer dialogue, serving the customers as advisers as well as assistants for digital life.

The Telefónica Deutschland Group offers its customers “mobile freedom” – even if there is especially high demand in the face of big events: at many events with correspondingly high visitor numbers, we create additional network capacity by installing additional mobile communications systems on special lorries. For example, our network experts installed a total of 98 mobile communications stations for the approximately 400,000 people who visit Munich’s Oktoberfest

every day, around half of which were of LTE standard. The network data we analysed showed that 2019 was a record year for the O<sub>2</sub> network at the Oktoberfest: at 87,000 GB, our customers used a volume of data that was approximately 50% higher than in the previous year.

The AML (advanced mobile location) emergency system rolled out across Germany in 2019 demonstrates how a digital service can offer people concrete added value and even save lives. All the customers of the O<sub>2</sub> core brand benefit from this new technology, as do the customers of the other brands and partner brands of the Telefónica Deutschland Group who own a device with an Android operating system. With AML, the smartphone automatically pinpoints the caller’s location to within a few metres when they call the emergency number 112 and shares this with the emergency services control centre. This enables the emergency services to precisely determine the position of a person who is in need of assistance and therefore make their way there even more quickly.

## Innovative solutions for private and business customers

We offer innovative tariffs that are designed to make our customers’ lives simpler, faster and better. For example, O<sub>2</sub> has expanded its DSL portfolio for private customers, freelancers and small business owners with a supervectoring tariff. This is DSL technology that offers top speeds of 250 Mbps for downloading and 40 Mbps for uploading, allowing self-employed people to surf at a reliably high speed and, in particular, to upload and download large files in seconds.

Our extensive LTE expansion programme is benefiting not only mobile communications customers throughout Germany, but also users who do not have a classic DSL connection within their own four walls. With O<sub>2</sub> Home-Spot and the three new O<sub>2</sub> my Data Spot tariffs, we are offering our customers an alternative stationary high-speed Internet connection that enables them to use a Wi-Fi-based home spot to simply and reliably connect all of their devices to and surf in our O<sub>2</sub> LTE network.



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Our B2B area features a strong tariff portfolio for our partners and their end customers. This offers our business customers a variety of solutions that make their work easier and which are secure, fair and reliable. With O<sub>2</sub> Free Business, for example, users can enjoy fast mobile Internet access of up to 1 Mbps throughout the EU even after they have used up their high-speed data volume. This is the case irrespective of the device they choose because with the multiscard, the benefits of the O<sub>2</sub> Free Business tariffs can be enjoyed on a smartphone, laptop or tablet or in a mobile hotspot.

The O<sub>2</sub> Unite business tariff is designed for companies who are reliant on maximum flexibility in their mobile communications usage, for example because they need to integrate new employees or plan international activities at short notice. O<sub>2</sub> Unite offers companies central tailor-made mobile communications pools for high-speed data, minutes and text messages that can be variably assigned to all employees. Fluctuations in the use of the employees' SIM cards are balanced out amongst each other and unused data volumes can be carried over to the next month.

The O<sub>2</sub> Digital Phone tariff further simplifies the day-to-day work of our business customers. It allows them to use the complete service portfolio of a fully fledged phone system in the cloud, making it possible for PCs, laptops or tablets to access all functions such as conference calling, call forwarding and phone directories from wherever they are working.

Our new offerings in 2019 included the O<sub>2</sub> You tariff that puts many of the contractual conditions in the customers' hands and allows them to put together their own combinations of mobile communication and smartphone. The mobile communication tariff may be terminated at any time with notice of 30 days to the end of the billing period and the device can be paid off flexibly. We are therefore bringing to an end the era of inflexible contract durations and are aiming to take on a role as a pioneer in the market.



## Network infrastructure further strengthened

We continue to equip our locations with LTE technology in both urban and rural areas in order to offer our customers better network quality. In the year under review, 2019, the Telefónica Deutschland Group recorded an LTE network coverage level of 92.2% (88% the previous year)<sup>1</sup> and put several thousand new LTE transmitters into operation. Starting in 2020 we intend to above all press ahead with extensive LTE expansion in rural areas as well as swiftly putting powerful 5G mobile communications infrastructure in place in towns and cities to enable an increasing number of customers to surf the Internet at high speeds in more and more places.

In urban areas, the Telefónica Deutschland Group is focusing particularly on densification of the network. The LTE upgrades provide better coverage inside buildings as well as more capacity. In parallel with the LTE expansion, we are starting to set up a 5G network that

will in future facilitate higher speeds and increased capacity for private and business customers as well as intelligent linking of their digital devices. By the close of 2022 the aim is to be supplying 30 towns or cities with a total of 16 million inhabitants. In rural areas, the company will forge ahead with intensively expanding the LTE infrastructure as well as laying the technical foundations for the future 5G expansion. Through the network expansion in rural regions, just under 80,000 people gained access to LTE per week in 2019. In addition to Germany's three city states, which are very well supplied, more places in the 13 larger states were newly supplied with LTE. We will put thousands of additional LTE transmitters into operation in 2020. By the end of 2020 99% of Germany's households are to be able to surf with high LTE speeds.

<sup>1</sup> LTE 4G coverage (pop outdoor 800–2,600 MHz)



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In 2019 we signed Germany's mobile communications pact agreed upon by the policymakers and network operators, making a commitment to further expand the LTE network. In this context, we will set up an additional 333 sites in what will have been undersupplied regions by the end of 2021. In the area of network expansion, we want to work closely with Deutsche Telekom, Vodafone Deutschland and other mobile network operators and will ensure that there is the best possible mobile broadband coverage in particular in rural areas and along traffic routes. To this end, we are planning to establish and jointly use up to 6,000 new mobile communications sites together with the other service providers.

The Telefónica Deutschland Group will also be cooperating with several technology companies where the 5G network is concerned. This will enable us to also establish diversity in our networks in future and avoid dependence on a single provider. For the expansion of the 5G access network (radio access network), we

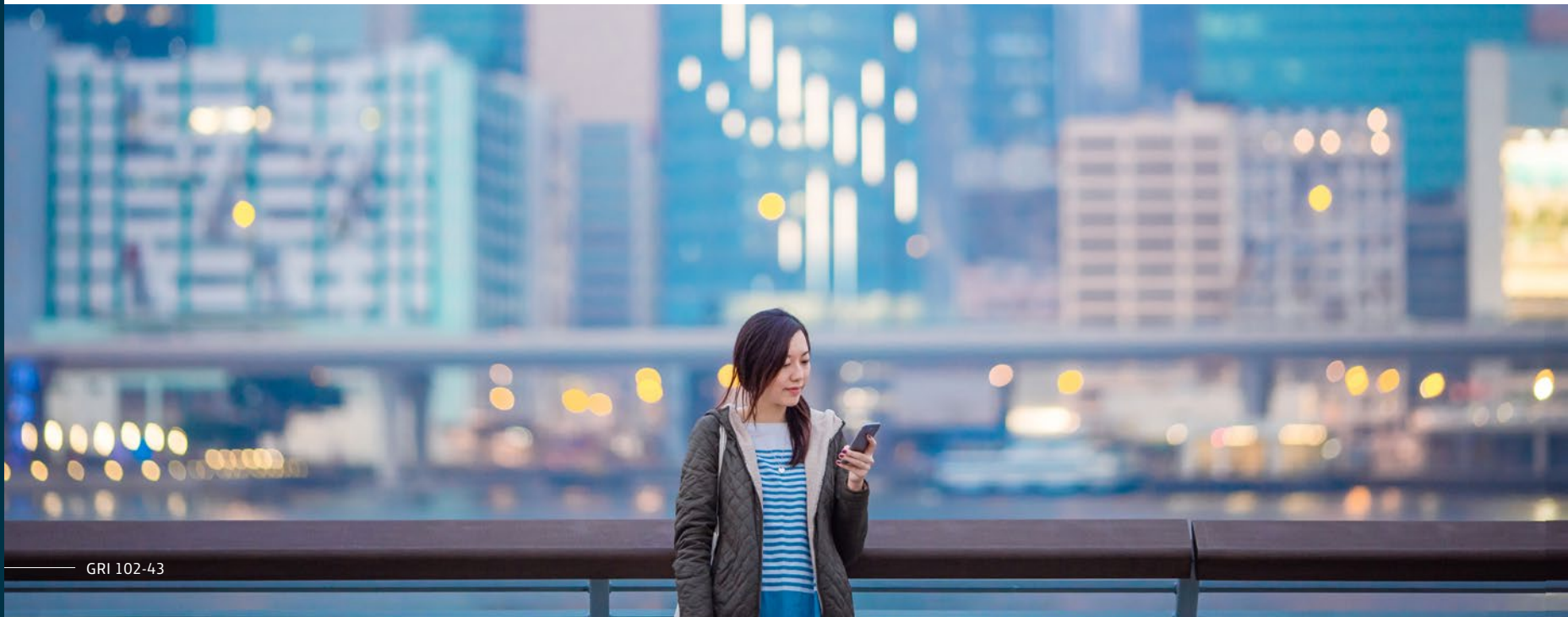
plan to collaborate with Nokia and Huawei with the reservation that the technology and companies are successfully certified in accordance with the legal regulations in Germany. In doing so, the Telefónica Deutschland Group intends to take into account the still ongoing political process of laying down the security regulations, without delaying the 5G expansion roll-out.

Our private and business customers trust in the reliability of our services. They expect network failures to be rectified quickly. By monitoring our network elements comprehensively and continually investing in our network structure, we aim to ensure that the negative impacts on our customers are kept to a minimum. A specialist department is responsible for efficiently monitoring and resolving problems in the mobile communications and fixed-line network. It ensures that the impacts of work in the network are kept minimal for the customers, that customer complaints are analysed and that failures are remedied as quickly

as possible. The individual specialist departments then optimise the internal processes, taking the technical framework conditions into account.

With regard to our network elements, we want to continuously raise the level of automation in monitoring and resolving problems. Since mid-2017 we have been using a measurement tool to analyse and gauge the quality of the network. This tool generates comprehensive figures. This enables us to recognise service restrictions or increased capacity demand at a mobile network location sooner and react correspondingly.

We intend to offer our customers the best fixed-line network coverage in Germany based on future-proof broadband cooperation models. Through successful partnerships, we offer a comprehensive infrastructure mix of VDSL, fibre optics and cable. We are working with a number of alternative telecommunications service providers and other network operators, focusing here in particular on regional partnerships.



# Compliance

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## Commitment

We act in accordance with all laws, societal guidelines and values. In the years leading up to and including 2020 we will strive for externally recognised certification of our compliance management system.

## Our achievements

The compliance risk assessment lays the foundation for successful certification. We carried out the Integrity Compass compliance survey and revised and newly rolled out employee training on our Business Principles.

### Target attainment



## Focused SDGs

We strive to comply with laws, societal regulations and values in all our internal and external processes. We are also advocating a new digital pact so that everyone can benefit from digitalisation.



# Compass for responsible conduct

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Our aim is to maintain and increase the trustworthiness of the Telefónica Deutschland Group. Here, the integrity of the company and the sense of responsibility of all our employees play a decisive role. They form the basis for trusting cooperation with our customers and business partners, thereby guaranteeing the good reputation of our company.

Observing statutory requirements, international standards and internal guidelines is a matter of course for us. The Business Principles of the Telefónica Deutschland Group and the Telefónica, S.A. Group additionally guide our conduct. Our principles in turn are based among other things on the UN Universal Declaration of Human Rights and the core labour standards of the International Labour Organization (ILO), which we declare our dedicated support for. Our Business Principles are directed at the employees, business partners, shareholders and the company as a whole. As a binding code of conduct, they set standards for our participation in the business world. We are actively helping to shape social discourse surrounding regulations and laws in the digital age, for example through the [Digital Manifesto](#), in order to achieve fair and sustainable digitalisation within society. In this way, the Telefónica Deutschland Group is seeking to advocate responsible digitalisation which is of benefit to everyone.

Conducting our business in accordance with the principles of efficient, sustainable and transparent corporate governance is a comprehensive demand for the Telefónica Deutschland Group. We comply with the

guidelines of the German Corporate Governance Code (DCGK) for this purpose. [The Corporate Governance Report, the declaration of conformity with the DCGK specifications and our Management Declaration](#) are published in the [Annual Report](#).

### BASIC PRINCIPLE

## Zero tolerance of corruption

Compliance management is of high importance to the Telefónica Deutschland Group. There is a particular focus on the subject of anti-corruption – this is because incidents of corruption can lead to severe financial damages and considerable damage to reputation. The Telefónica Deutschland Group absolutely rejects all forms of corruption and this is reinforced with its zero-tolerance commitment. Digitalisation is also causing companies' business processes to change. Compliance management systems (CMS) therefore have to be adapted to new circumstances in order to be able to prevent or identify potential risks such as corruption, corporate crime and fraud. We aim to have had our CMS externally certified by 2020.

### PROCESSES & MANAGEMENT

## Integrated compliance management system

Maintaining and building up our customers' trust is important to us. We must avoid financial disadvantages or damage to our reputation resulting from compliance violations. That is why we have established an integrated CMS that guarantees our guidelines are kept to. The main emphases of our CMS include combating corruption and preventing unfair competition and conflicts of interest. Overall responsibility for this lies with the Director of Integrity Services, who reports to the Chief Officer for Legal and Corporate Affairs. The Management Board and Supervisory Board of the Telefónica Deutschland Group are regularly notified about compliance activities, particularly as regards the ongoing development of the CMS.

| ANTI-CORRUPTION                                  | 2017 | 2018 | 2019 |
|--|------|------|------|
| Total number of cases of corruption <sup>1</sup> | 0    | 0    | 0    |

<sup>1</sup> Confirmed suspected cases that led to measures related to labour law or sanctions





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We do not tolerate corruption whatsoever or any form of bribery or corruptibility whatsoever. Every suspected case is carefully examined. Substantiated accusations are rigorously pursued and penalties are imposed accordingly. The system helps detect cases of corruption throughout the company and prevent them to the fullest extent possible using suitable measures. Here, we define cases of corruption as any form of misuse of a professional position to obtain unauthorised tangible or intangible advantages. Three suspected cases of corrupt conduct were reported to us in 2019 and these were looked into internally. The suspicions could not be confirmed in any of the three cases.

STRATEGIC PRIORITIES

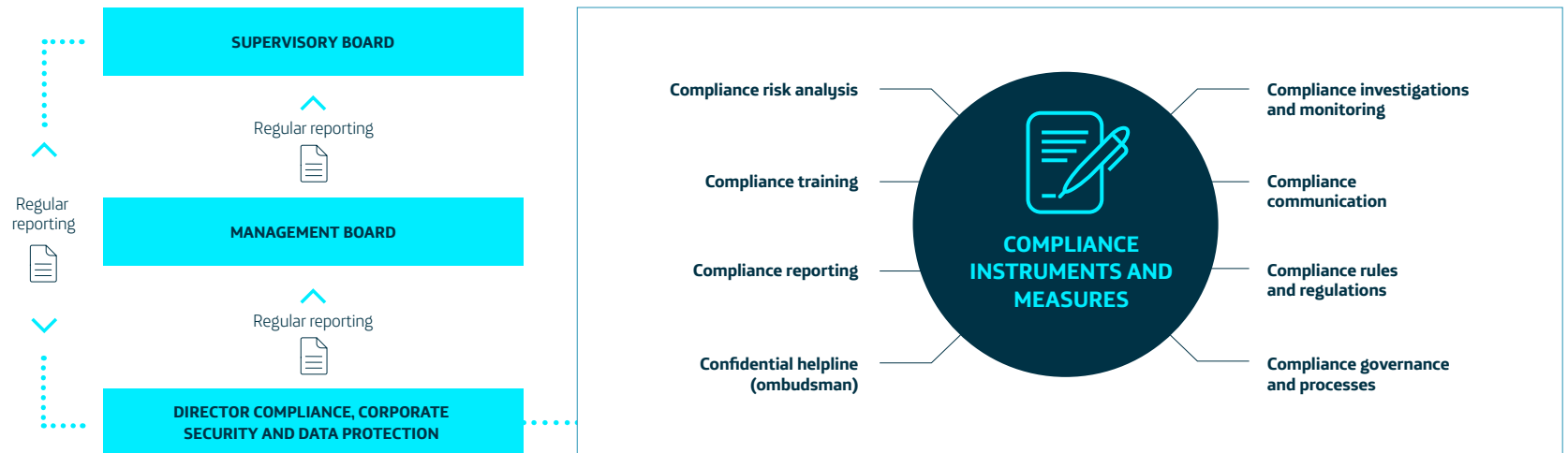
Involving stakeholders in prevention

Keeping our employees closely involved is essential to implementing our compliance measures. We achieve this through explanatory communication as well as surveys and training. Our business partners and suppliers are also subject to binding specifications, such as the Supplier Code of Conduct and an anti-corruption declaration to which they have to consent in order to be commissioned with work.

We carry out regular online compliance training courses in order to sensitise our employees to this important issue. These are compulsory for all em-

ployees every three years. We continually review our training concept and adapt it respectively to current developments and needs. Our executives on the top management level commit moreover on an annual basis to complying with our Business Principles and anti-corruption guidelines. We completely revised the mandatory online training on our Business Principles in 2019. The training includes topics ranging from data protection and competitive conduct to a special focal chapter on anti-corruption as well as environmental and human rights aspects. We also provided our employees with revised mandatory training on Germany's General Act on Equal Treatment (AGG). In addition, there is regular communication on topics relevant to corruption, for example emails and information on the intranet. If required, the Compliance department can

COMPLIANCE AT TELEFÓNICA



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offer employees and bodies such as the works council advice on all matters concerning ethical conduct and acting with integrity.

We carry out occasion-related and process-accompanying examinations and consultations with regard to potential compliance risks. The Internal Audit department and external auditors regularly audit the CMS as well as our measures for preventing corruption. Our staff are also surveyed regarding the quality and effectiveness of the CMS. We additionally organise an assessment of corruption risks within the Telefónica Deutschland Group.

We have moreover defined clear guidelines and specifications for the most important compliance topics that affect daily business. In addition to the [Business Principles](#), they include corruption prevention and competition law guidelines as well as guidelines on how to handle invitations, gifts, conflicts of interest and incentives. Regulations relating to the procurement of services also apply, such as how to conduct business with service providers.

The Telefónica Deutschland Group has appointed an independent lawyer to serve as an anti-corruption [ombudsman](#). Information regarding corruption and other criminal acts such as fraud and embezzlement as well as violations of competition law can be reported to them in confidence. The lawyer's duty of confidentiality ensures that a whistle-blower's identity

is not disclosed. The information a whistle-blower provides is only passed on to the company with explicit consent. Making contact via this confidential helpline is likewise already subject to protection.

## Championing human rights and equal opportunity

Our understanding of integrity goes beyond compliance, for example regarding soft laws and digital human rights. We want to respect and protect human rights along our value chain and have committed in our Business Principles to observing the United Nations' Universal Declaration of Human Rights and the declarations of the ILO. We reject all forms of child or forced labour and respect the right of employees to belong to a trade union organisation. We stand up for equal opportunities and treating all people as equals irrespective of skin colour, nationality, ethnic origin, religion, gender or sexual orientation. We have outlined and clearly expressed our position in our own Declaration of Principles on Respecting Human Rights. We use our integrated CMS to guarantee compliance with the legal requirements and internal guidelines.

We champion the protection of human rights in the supply chain together with our suppliers. Our [Supply Chain Sustainability Policy \(SCSP\)](#) addresses the subject and includes strict guidelines. Detailed information on our commitment to the supply chain and to human rights can be found in [chapter 3.4](#).

The aim of our measures is to systematically further minimise the human rights risks associated with our business activities. This is also our way of effectively complying with the requirements of the National Action Plan for Business and Human Rights (NAP). A detailed risk analysis of the human rights situation and derivation of the corresponding areas of action serve as the basis for this. A Human Rights Policy has been established for the Telefónica Deutschland Group in order to manage the topic in the company and in relation to our business partners. There is also a grievance mechanism which includes a reporting channel – [humanrights-de@telefonica.com](mailto:humanrights-de@telefonica.com). We provide more information on this on our website at [www.telefonica.de/human-rights](http://www.telefonica.de/human-rights).

### Human Rights

#### CONTACT

Reporting channel for complaints and whistle-blowing:  
[humanrights-de@telefonica.com](mailto:humanrights-de@telefonica.com)

### Confidential Helpline

#### CONTACT

Anti-corruption ombudsman:  
[www.telefonica.de/ombudsmann](http://www.telefonica.de/ombudsmann)

Management approach: Freedom of association and collective bargaining (103-2; 103-3); Anti-corruption (103-2; 103-3); Non-discrimination (103-2; 103-3); Child labor (103-2; 103-3); Forced or compulsory labor (103-2; 103-3); Human rights assessment (103-2; 103-3); Public policy (103-2; 103-3); Socioeconomic compliance (103-2; 103-3); GRI 102-12; 102-16; 102-17; 102-21; 205-2



# Employer

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## Commitment

As a responsible employer, we set great store by fair, open and trusting cooperation and offer our employees an inspiring work environment with diverse development and preference options. We benchmark the satisfaction and commitment of our employees on the basis of good to very good results in our regular surveys.

## Our achievements

We measure our employer attractiveness with the employee Net Promoter Score (eNPS). "Smart spirit" is our principle for creative and agile working. We promote new ways of thinking and working and the skills of our executives.

### Target attainment



## Focused SDGs

The well-being, development and work-life balance of our employees are elementary for us. We want to ensure that our employees can make the best possible use of the benefits of digitalisation, we promote smart ways of working and we are committed to gender equality.



# Shaping digital transformation together

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BASIC PRINCIPLE

## Employer attractiveness as a success factor

All around the world, digitalisation is speeding up economic and social developments. Technologies, markets and customer behaviour are changing at a pace never seen before. Dealing with the digital transformation poses challenges for all of us. In the course of this shift, the expectations placed on companies have changed considerably. They have to react to dynamic market developments more and more quickly and with greater flexibility.

The dedication, satisfaction and professional qualification of our employees is fundamental to the Telefónica Deutschland Group's success. Only with their help can the company's digital transformation succeed and sustainable economic success be brought about. It is our responsibility to equip our organisation for this transformation and make our employees agents of change. Moreover, we aim to do all of this while jointly bringing our structures, processes and working methods into line with the expectations of the new era.

In the field of human resources, we are focusing on learning, collaboration, new ways of working, participation and leadership development. We consistently pressed ahead with these topics in 2019 and further developed them with respect to content. How we collaborate in future, interlinked across divisions, and develop our skills is vital to the success of our company and every individual in the digital world. We actively

involve our employees in the company's transformation and aim to be an attractive employer for them and external applicants, now and in the future.

PROCESSES & MANAGEMENT

## Employee survey measures satisfaction

The Chief Human Resources Officer (CHRO) has overarching responsibility for the area of staff matters. Several works council bodies also represent the interests of our employees.

Our annual global employee survey was further developed in 2019 so that we will in future be even better able to assess the attractiveness of our work environment and our employees' motivation. The "Employee Experience Survey" is conducted online, anonymously and voluntarily among all employees of the Telefónica Deutschland Group. The response rate in 2019 was 79%, equating to a year-on-year increase of eight percentage points.

We are measuring our attractiveness as an employer for the first time using the indicator employee Net Promoter Score (eNPS). This KPI assesses employees' likelihood of recommending Telefónica as an employer. No direct comparison of the results of the new eNPS can be made with the previous years' figures for employee satisfaction (employee engagement score). That is due to differences in the question set and scale. In 2019 we achieved an eNPS of 21.5 points. We aim to increase this to 26 points by 2022. To regularly review our progress and to be able to implement improvements as required, we conduct short surveys known as pulse surveys a number of times a year. These likewise assess our eNPS and identify key topics for our transformation.

**ATTRACTIVENESS AS AN EMPLOYER:  
ANNUAL EMPLOYEE SURVEY**

|   | UNIT  | 2017 | 2018 | 2019 |
|---|-------|------|------|------|
| Response rate of the annual global employee survey                    | %     | 68   | 71   | 79   |
| Employee Engagement Index (until 2018)                                | %     | 67   | 74   | -    |
| Employee Net Promoter Score (eNPS) <sup>1</sup><br>(from 2019 onward) | Score | -    | -    | 21.5 |

<sup>1</sup> Result for attractiveness of the working environment



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## STRATEGIC PRIORITIES Priorities in human resources work

The Telefónica Deutschland Group further developed its HR strategy and implemented new measures in the year under review. In particular, we made the effectiveness of central initiatives quantifiable and therefore also more controllable by conducting employee surveys regularly, including in the course of the year. With this and the progress we have made in all of our focal areas as described below, we have significantly advanced the transformation of our organisation.

### Personal development and digital learning

In the dynamic environment of digitalisation, continuous development is crucial for long-term market success. Against a backdrop of changes in activities, responsibilities and job profiles, employees need new skills to capitalise on the change both at a personal level and in the interests of the company. As an employer, we want to enable our employees to prepare themselves for the current and future requirements of the working world optimally, to integrate analogue and digital learning into their day-to-day work, to keep further developing and to act more efficiently.

All employees can continuously expand their skills profiles and boost their employability in the long term with the help of digital teaching modules, such as LinkedIn Learning, and through networking opportunities in our communities and various dialogue and feedback formats. The digital learning platform LinkedIn Learning has been incorporated into our learning architecture since 2019. This enables staff members to learn in an independent, personalised and flexible way. It offers a range of over 400,000 videos and 10,000 courses which teach commercial, technological, social and creative skills. Covering topics such as agile project management, design thinking and repartee, the platform swiftly equips employees with valuable tips and tools which they can use to simplify

and improve their way of working. Department-specific recommendations also help our staff members to select relevant courses.

We also encourage our employees to be open to adopting different perspectives at all times and to grow with new duties and responsibilities in the form of project assignments or permanent role changes.

### Responding to change with an attractive working environment

For us as a company, the era of digitalisation does not just go hand in hand with changes in markets, technologies and customer preferences. Employees now also have different expectations when it comes to their workplace, including greater flexibility with regard to when and where they work to cater for individual ways of life.

The Telefónica Deutschland Group therefore sets out to create an environment in which committed em-

ployees can work optimally, adapt to changes quickly and actively participate. To achieve this, we encourage communication among each other with the aim of integrating relevant stakeholders early on and boosting motivation. In order to shape our shared future, we bring together the disparate needs of the company and its staff and work hand in hand in an open fair process and in direct dialogue with our teams, executives and works councils.

The Telefónica Deutschland Group endeavours to recruit the best employees and retain top performers at the company. We aim to achieve this above all through fair and respectful collaboration, achieving high levels of commitment from all staff and providing an inspirational and motivational work atmosphere. In particular, we support our employees in reconciling their professional life with their private one – for instance through work models that offer flexibility of both times and location. Moreover, the Telefónica Deutschland Group offers its employees additional benefits such as pension



Management approach: Employment (103-2; 103-3); Labor/management relations (103-2; 103-3); Training and education (103-2; 103-3); Diversity and equal opportunity (103-2; 103-3); GRI 102-43



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subsidies, discounts on public transport, insurance policies, meal subsidies and employee credits. A standardised remuneration system has been in place for all employees of Telefónica Germany GmbH & Co. OHG since 2018.

Since 2019 the Telefónica Deutschland Group has linked bonus payments for the Management Board and executives to the company's performance with regard to its sustainability targets. The latter include boosting customer satisfaction, strengthening our reputation, reducing CO<sub>2</sub> emissions and increasing the percentage of women in leadership roles.

An important element of employer attractiveness is transparent and continuous communication between the management team and staff. We achieve this by means of various dialogue formats and site visits

with different members of the Management Board. In addition, a new dialogue format was launched in 2019 called SmartWorking@Telefónica. Here, the Chief Human Resources Officer, executives and staff jointly develop new approaches for our collaboration and for the working world of tomorrow.

We use our pulse surveys to measure how we are performing in relation to key aspects of our transformation – agility, leadership, the further development of employees and teams, and employer attractiveness. The results provide transparency and highlight areas where we can step up our efforts. In this way, we contribute towards ongoing improvements and a lively feedback culture – a prerequisite for creating an organisation which is efficient and successful over the long term.

The works council is also closely involved in all measures. We work together as partners with a high level of co-determination. Most notably, we ran a number of boot camps in 2019 in order to increasingly shape changes in the company jointly. Informal exchange with the bodies also takes place regularly.

### Smart work and company-wide networking

We want to create the best solutions for our customers, going beyond team and unit boundaries. To this end, we promote the networking of our employees and new, smart ways of working. With the help of workshops, we have launched a number of initiatives designed to further embed a "smart spirit" as a key principle in the company. These included establishing the Smart Work Community with more than 300 members, barcamps, keynote speeches and company-wide training and coaching for employees given by employees.

In 2019 FreiRaum, a new space for creative and agile working, was opened at our Munich site. Spanning approximately 350 square metres, it will offer teams even more opportunities to design workshops and training independently, experiment with new methods and develop smart approaches. Professional trainers and coaches can also be booked to attend the events and support employees with their projects. The opening week introduced employees to the diverse programme with keynote speeches, agile training, workshops and participation formats. Beyond that, much of our office space has gradually been transformed into a modern and flexible working environment in recent years. We are already operating successfully on the basis of the modified concept at five sites and have physically overhauled approx. 4,000 workspaces.

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### Strengthening executives and promoting their development

Our executives play a key role in our transformation and our sustainable success as a company. They enable, network and develop their staff and teams so that they in turn can make their contribution to achieving the corporate goals. We set up the Leadership Journeys for senior management back in 2018 – a systematic development programme that identifies and fosters new leadership skills which are relevant for the company.

The Leadership Journeys comprised a series of modules for top management and this was extended to cover the broader management team in the year under review. Via keynote speeches, workshops and supporting communications, the executives reflected on their own role and focused in particular on issues such as agility, leadership, and staff and team development. Furthermore, the participants received useful tools for their day-to-day work, such as the so-called 1 : 1+ guide, which provides guidance for feedback and development meetings between managers and staff. The regular pulse surveys also enable them to recognise progress in their areas and to identify and utilise further potential improvements themselves.

In 2019 we expanded the programme from the original group of 60 executives to include the broader management team with 240 participants, thereby providing stimuli for growth of the executives themselves, the implementation of smart ways of working and further development of the employees and teams. Another key objective of the leadership meetings was to enhance networking and team building at executive level as the starting point for interdisciplinary collaboration and strengthening the shared leadership culture.



Our support for executives moreover includes standardised training as well as individual specialist training, soft skills development and coaching programmes. A central component of our executive development is the Telefónica academy Universitas in Barcelona, which runs programmes on corporate strategy and culture as well as on management and personal development.

Regular dialogue with the Management Board also helps to establish a uniform understanding of responsibility and the expectations placed on executives at the Telefónica Deutschland Group. Furthermore, a joint conference gave top management and the Management Board an opportunity to work on the company's alignment together.

# The digital world of work

## needs freedom and responsibility

Making employees fit for the future

*"As an employer, our top priority is to act responsibly with the opportunities offered by digitalisation and to shape change together."*

Nicole Gerhardt, Chief Human Resources Officer of  
Telefónica Deutschland Holding AG



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Digitalisation means ever greater demands are being made of companies and their employees as they have to respond increasingly quickly to dynamic market developments. At the same time, work content and processes are changing, as are the employees' expectations regarding the workplace and an increased flexibility. The digital transformation is therefore revolutionising the world of work and offering many challenges and opportunities for employees and companies. We are bringing both sides' needs together with a new deal for a new age and are creating the foundations for a good future together.

As an employer, we are advocating our employees being able to make the best possible use of the advantages of digitalisation for themselves while we put restrictions in place where this is necessary. What is perfectly clear to us is that at Telefónica, the focus has to remain on people. With the [policy paper "Freedom and responsibility in the digital age"](#), the Telefónica Deutschland Group offers its employees guidance and assurance on the topics of development and qualification, smart thinking and working, flexible working hours and relaxation, and the safe use of modern working materials.

This is underpinned by programmes, tools and guidelines that will make companies and their employees fit for the future, for example new initiatives for continuous development. With these learning opportunities, a lively dialogue and feedback culture and networking in our communities, they can build up their skills and expand competencies. In leadership programmes, executives learn how to support employee and team development and how to establish smart ways of working. Last but not least, we give our employees the freedom to reconcile the different areas of their lives as best they possibly can thanks to a secure digital and flexible work environment and we are mindful of their having a healthy balance of work and relaxation.





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## Breathing life into diversity and collaboration

We live in an increasingly complex and dynamic world that is characterised by diversity. This should also be reflected in our mixed teams so that intelligent solutions can be found by drawing on a range of backgrounds, experiences and skills. That is why we foster networking and cooperation across divisions and see diversity as a key success factor.

As a global company, Telefónica also has extensive cultural diversity, with employees from more than 75 nations in Germany alone. A balanced mix of genders is also part of a diverse workplace and we promote this through our corporate and HR strategy. We have had two women on the Management Board for several years now, making us one of just a few listed companies in Germany to do so. Furthermore, we have received a number of awards for our commitment to equality and inclusion. To boost the number of women in the next level of management down, we have set ourselves a clear target of 30% by 2020. At the end of 2019 we registered 23.2%. We hope to achieve our target by means of various initiatives.

These include the Women in Leadership programme, which proactively supports talented women, and the Talent Conversations with Management Board members, which aim to identify and utilise further means of helping women to advance. Integrating the above-mentioned target percentage into the variable components of the Management Board members' remuneration should also help.

In addition to this, the vibrant "TelefónicaConnects" network brings women together. As well as providing inspiration through specialist presentations by engaging personalities and role models, it increases the overall visibility of women at the company. Our range of flexible working models and childcare options is also designed to provide women at work and in leadership positions with the best possible support.

We undertake to treat one another fairly and respectfully as the prerequisite for successful collaboration. Our efforts to underpin this commitment include signing the "Charta der Vielfalt" (Diversity Charter).



| DIVERSITY  | UNIT       | 2017         | 2018         | 2019         |
|--|------------|--------------|--------------|--------------|
| Women in the company as a whole <sup>1</sup>   | Number (%) | 3,776 (40.7) | 3,562 (40.2) | 3,378 (40.1) |
| Total number of senior management (Valora) at reporting level 1 (incl. Management Board) | Number     | 53           | 55           | 56           |
| Women in senior management (Valora) at reporting level 1 (incl. Management Board)        | Number (%) | 8 (15)       | 12 (21.8)    | 13 (23.2)    |
| Women on the Management Board  | %          | 25           | 25           | 28.6         |
| Nationalities of employees   | Number     | 76           | 74           | 78           |

<sup>1</sup> Total workforce excluding 50% of employees from the Tchibo joint venture

A detailed description of the key employee figures can be found [here](#).



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## Implementing a holistic health policy

As the world is changing at an ever faster rate and the work-related demands on people are growing, it is particularly important to us to maintain and promote our employees' health and safety in the workplace. With this in mind, we have established a holistic health policy and rolled out a corresponding programme which is continuously being developed. The objectives of the policy are to:

- Prevent work accidents and work-related illness
- Promote the health of our employees through targeted measures
- Increase work satisfaction and dedication
- Promote constructive and respectful cooperation

Our "Integrated occupational safety and health management manual" that we put together in 2016 forms the foundation of our policy. The manual is based on the DIN EN ISO 45001:2016 standard. The manual defines concrete targets with corresponding KPIs which we use to control and improve the management system. Beyond that, we have launched a company-wide health forum that consists of employer and employee representatives as well as other internal stakeholders. It deals with the strategic planning and management of health issues.

A variety of projects and events were the focus of our activities as part of integrated health management in 2019. Special attention was paid to nutrition and exercise as these pave the way for health and productivity. Thanks to a new partnership with a nationwide flexible sport and health network, our employees now have access to an even broader and more attractive range of opportunities to exercise and relax in a way that suits them.

A company nutrition campaign toured all our sites in Germany during the course of the year with all sorts



of offerings for staff, such as personalised nutritional advice, healthy eating exhibitions, lunch academies, body scans, subsidisable preventive courses and webinars.

Many employees of the Telefónica Deutschland Group enthusiastically entered corporate runs throughout Germany once again in 2019. The company has also been participating in the project "CITY CYCLING – cycling for a better climate" since 2018 in order to promote both a healthier, more active lifestyle and to contribute to environmental protection.

We connected with a large number of our employees again in the reporting year via our FEEL GOOD webinars. Staff throughout the company can find out about current issues such as work-life balance, physical activity and nutrition digitally, wherever they are based. They can also participate in live talks. These talks are also available to interested members of staff afterwards in the media library. Special attention was also paid to care in this context as this is becoming a more important issue for our company – and others – due to demographic change.

The advice concept "Ergonomics in the workplace" consists of personal Germany-wide advice at the employees' workplace provided by ergonomics consultants or a physiotherapist on health-promoting

work including active corrective exercises. Over the past year, we have also revised and rewritten our company-wide risk assessment concept. Its new modular approach has succeeded in substantially improving its practical application.

We also laid the cornerstone for a digital KPI dashboard in 2019. The aim is for all key performance indicators relating to health management throughout the Group to be recorded and displayed using this dashboard in the future. Processing and analysing these KPIs should supply even more precise management impetus to shape the content of an efficient and needs-based health management system for the Telefónica Deutschland Group.

We take part in the Corporate Health Award each year and once again achieved an outstanding result in the reporting period. The Corporate Health Award is the leading competition for sustainable occupational health management in the German-speaking world. After being commended in 2018, we were once again rated as excellent in 2019 and outperformed the industry and overall average with a score of 80.5%.



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## Young talent for our future

The development of junior staff is very important to us as a means of retaining expertise and achieving a good balance between the generations. That is why we especially aim to capture the interest of talented young people with an extensive training offering. We provide interns, working students, trainees and dual-studies students with a variety of career entry options in our company.

The Chief Human Resources Officer, the council for young employees and trainees (GJAV) and our trainers initiated a raft of measures in 2019 to further expand our training offering. This is aimed at gearing our training structure for young talent towards future needs and enhancing awareness of it both within the company and beyond. Immediate improvements included an expanded buddy programme and an optimised onboarding process which is designed to make it even easier for junior staff to settle in at the firm. For the long term, the bedrock for establishing a comprehensive development concept and strengthening the trainers in their role was agreed.

## Volunteering schemes for social responsibility and team spirit

Social responsibility plays an important part in our understanding of responsible action and is firmly embedded in our corporate culture. Together, we can achieve great things – both at work and for good causes. Our annual global Volunteering Day gives our staff the opportunity to make a difference in their local communities and make a valuable contribution to society and the environment. On 18 October 2019 more than 20,000 Telefónica employees around the world put their skills, time and dedication to good use as volunteers.

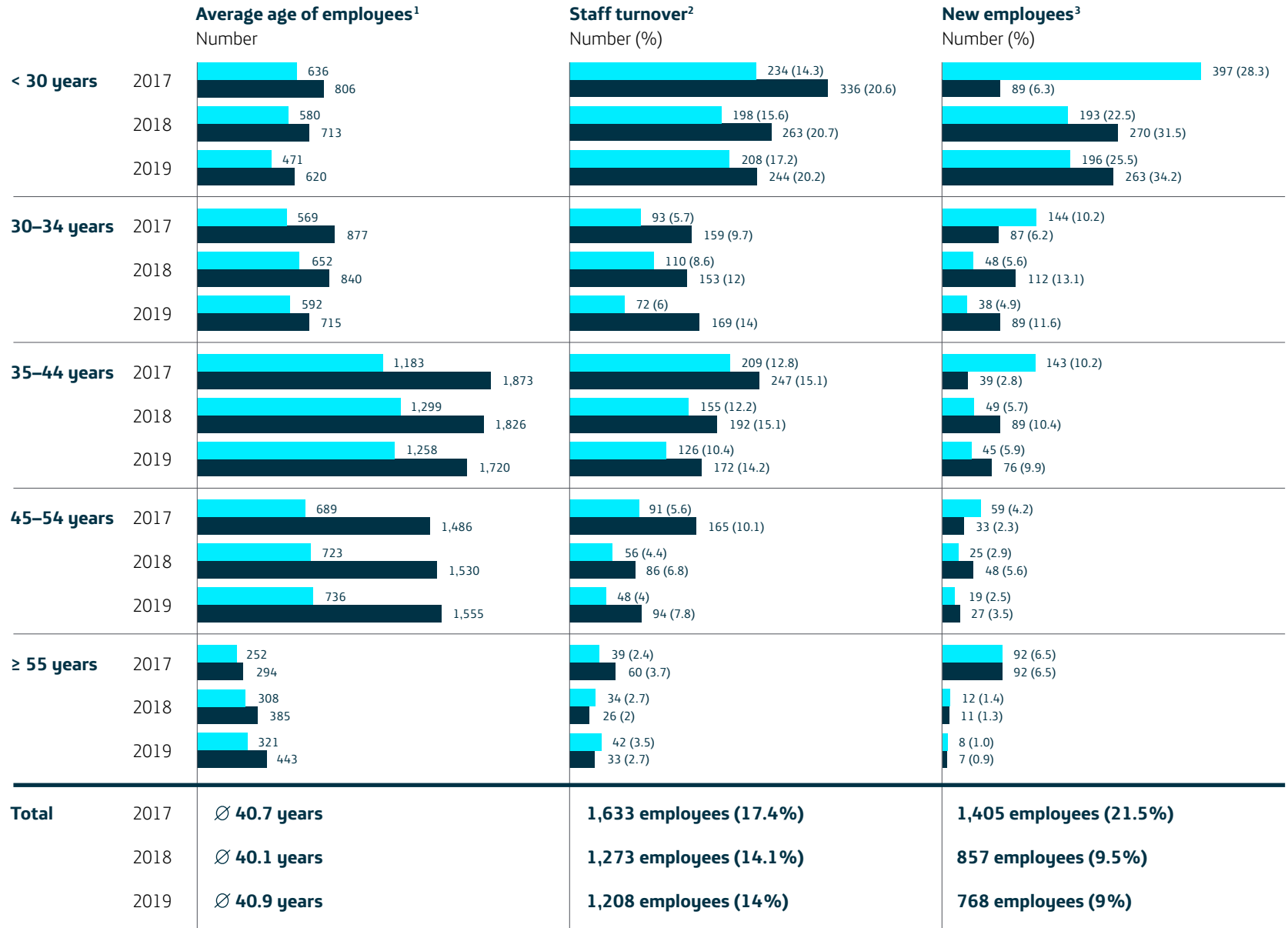
All activities are based on the same intentions: we want to play an active part in helping shape our social environment, strengthening team spirit and developing both social and professional skills. To ramp up our commitment, we introduced a new volunteering platform in 2019 which staff members can access year-round to find initiatives that they can support in their free time too. It also enables them to put forward projects dear to their own hearts and recruit co-workers to support them.

The highlight of this year's volunteering programme was our first O<sub>2</sub> Tower Run, which strengthened team spirit within the workforce and between the various departments. The event saw 47 teams run from the ground floor to the 37th storey of our company building in Munich. With every step, they helped to enhance environmental awareness and increase the amount of oxygen in the world because the Telefónica Deutschland Group donated a total of EUR 10,000 to

Plant for the Planet for their endeavours. The charity plants trees around the world to counteract the rise in CO<sub>2</sub> and organises environmental academies where children share their knowledge with other children, enabling them to train one another as climate ambassadors. The team from the Management Board also took part in the Tower Run. Together with the support of numerous colleagues, they created a fun atmosphere and a very special sense of team spirit at the site.



EMPLOYEE KEY FIGURES



<sup>1</sup> Total employees excl. 50% of employees from Tchibo joint venture

<sup>2</sup> The basis is the number of employees who left over the period from 31 December 2018 to 30 December 2019/mean PIP value at the five reporting dates 31 December 2018, 31 March 2019, 30 June 2019, 30 August 2019 and 31 December 2019. Total employees excl. 50% of employees from Tchibo joint venture.

<sup>3</sup> The basis is respectively the number of new entries over the period from 1 January to 31 December of the relevant financial year. Total employees excl. 50% of employees from Tchibo joint venture.

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## Commitment

We promote sustainable procurement management and supplier management. In the years leading up to and including 2020 we will take CR criteria into account in 100% of the purchasing processes with our most important suppliers.

## Our achievements

The updated Supply Chain Sustainability Policy lays down clear requirements for responsible business. We protect human rights in the supply chain and make suppliers commit to a policy of anti-corruption and environmental protection.

### Target attainment



## Focused SDGs

We champion the observance of human rights all along our supply chain and promote sustainable procurement management and supplier management. This is our way of contributing to human dignity and economic growth around the world.



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# Improving supply chain sustainability

## BASIC PRINCIPLE

### Fair partnerships as the basis of sustainable procurement

We are aware of the social and environmental risks in the complex global supply chains and endeavour to do justice to the increasing expectations of our stakeholders as well as the international frameworks in the area of sustainable value creation. We focus in particular on avoiding the human-rights-related risks that present themselves in the extraction of raw materials for the manufacture of smartphones and smartphone accessories.

The Telefónica Deutschland Group is committed to sustainable procurement management and supplier management. This stance is based on our [Business Principles](#) and the principles of integrity, engagement and transparency. In addition to complying with quality standards in our products and services, we also take into account the fulfilment of ethical, social, ecological and data protection criteria.

We expect this kind of commitment from our suppliers too. In addition, we set great store by efficiency and innovation, supported by new technologies and a procurement process that has been digitalised to the fullest extent possible. The Telefónica Deutschland Group strives for long-term collaboration with its suppliers through fair partnerships.

The Telefónica, S.A. Group champions greater transparency and sustainability in the supply chain in international multi-stakeholder initiatives, for example with its membership of the Responsible Minerals Initiative (RMI). Through the Telefónica, S.A. Group, we, moreover, belong to the Joint Audit Cooperation (JAC), which brings together the world's largest telecommunications companies. In addition to knowledge exchange, the JAC's primary aim is to make carrying out supplier audits efficient and uniform at the global level for all of its member companies. We and the Telefónica, S.A. Group comprehensively exchange information on the latest developments in the initiatives and on supplier audits and supplier assessments made with [EcoVadis, a self-assessment platform for suppliers](#).

## PROCESSES & MANAGEMENT

### Supplier management guidelines and risk analyses

The [Supply Chain Sustainability Policy \(SCSP\)](#) forms the basis of our dealings with our suppliers. This follows our Business Principles and is oriented towards key international treaties and standards such as the UN's Universal Declaration of Human Rights, the conventions of the ILO, OECD guidelines, ISO standards, the UN Guiding Principles on Business and Human Rights and the United Nations' Sustainable Development Goals (SDGs). In light of the varied challenges in the global supply chain, the Telefónica Deutschland Group also integrates its suppliers into activities for the protection of human rights. We have specifically addressed this issue in our SCSP and linked it to strict requirements.

We are committed to identifying all the negative effects of our business activities on human rights and we therefore perform regular risk analyses and assessments of the human rights situation in the supply chain. In 2019 we conducted a risk analysis for value creation in the product group of mobile phones and accessories, in line with the requirements laid down in the National Action Plan for Business and Human Rights (NAP) ([see diagram on page 47](#)). In addition to the environmental impact of chemicals and high energy consumption, any human rights risks related to the mining of raw materials which are important for production, such as tin, cobalt and gold, are to be identified. These may be linked to child, compulsory or forced labour, health risks or unfair pay. There is also the risk of armed disputes in crisis-hit regions being financed with so-called conflict minerals.



# Prioritised human rights risks along the value chain

For the product group mobile phones and mobile phone accessories

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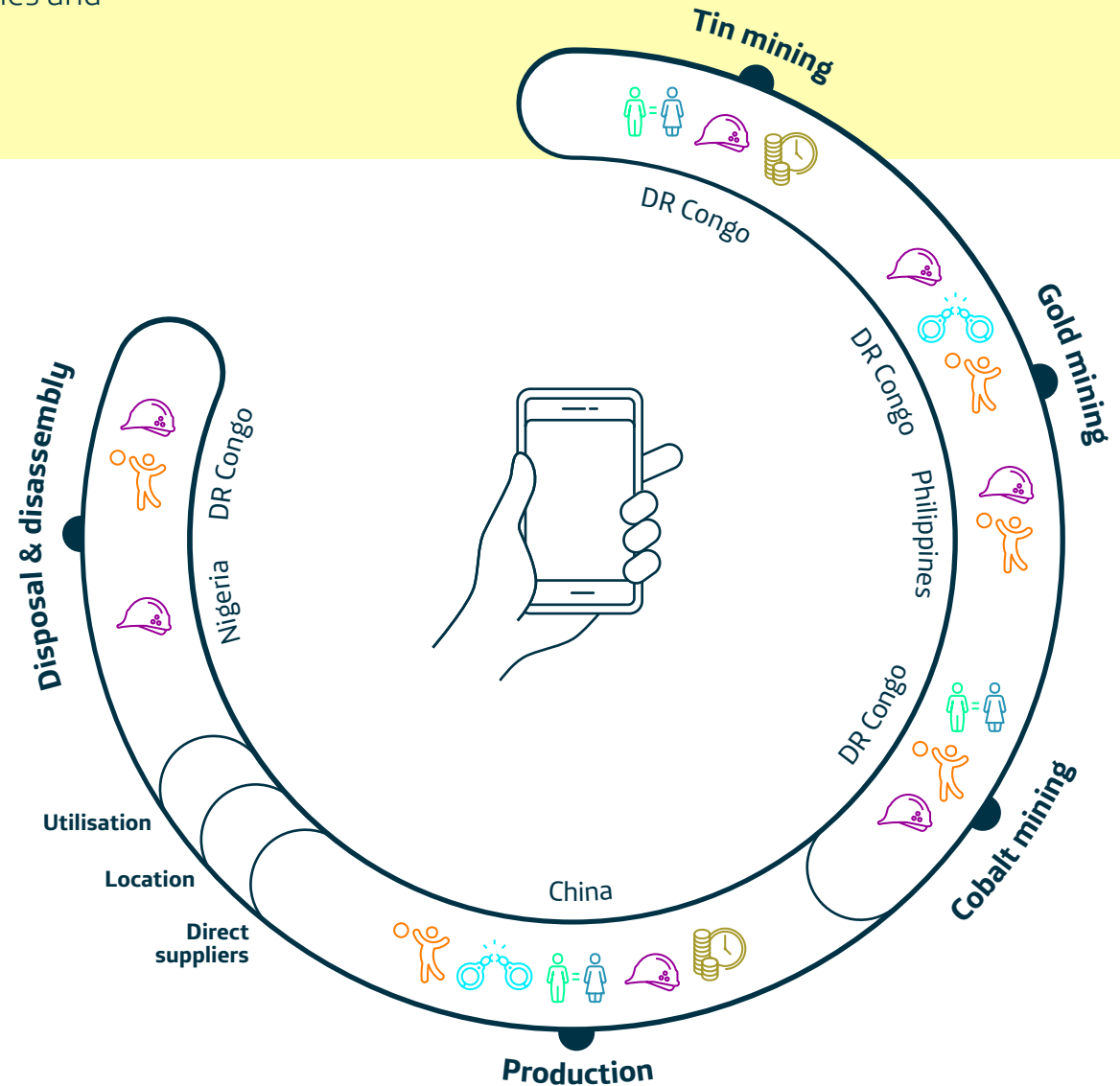
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-  Prohibition of child labour, protection of minors
-  Prohibition of slavery and forced labour
-  Prohibition of discrimination, the right to equal opportunities and non-discrimination
-  Right to health, well-being and secure work
-  Right to work, fair pay, safe working conditions and social security



Management approach: Procurement practices (103-2; 103-3), Supplier environmental assessment (103-2); Forced or compulsory labor (103-2); Child labor (103-2), Freedom of association and collective bargaining (103-2); Supplier social assessment (103-2; 103-3); Human rights assessment (103-2)

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Recommendations for action are derived from the risk analyses; this advice is then implemented in supplier management in the form of appropriate measures. These include the publication of our [Human Rights Policy](#), which includes a “Commitment to respecting human rights throughout our supply chain and in our relations with business partners”.

Our [humanrights-de@telefonica.com](mailto:humanrights-de@telefonica.com) complaints channel is there for all the stakeholders and the suppliers too, allowing them to file complaints and report possible human rights violations. All the reports relating to human rights received via our [confidential helpline](#) or our [complaints channel](#) are handled in strict confidence and in compliance with data protection laws. Our human rights committee examines each complaint/violation and, if necessary, takes concrete steps in consultation with the relevant department. More information on the topic of human rights in the supply chain can be found in [chapter 3.2](#) of this CR Report and at [www.telefonica.de/human-rights](http://www.telefonica.de/human-rights).

Our SCSP includes binding requirements for our suppliers regarding reducing our ecological impacts in the supply chain. For example, when working for the Telefónica Deutschland Group, they are obliged to consider environmental efficiency, in particular in the areas of climate protection, energy consumption and resource conservation. The suppliers already have to accept the Environmental Declaration in the purchasing tool in relation to certain goods and services.

Telefónica Global Services GmbH (TGS), a subsidiary of the Telefónica, S.A. Group, manages the processes surrounding the purchase of goods and services, including the registration of new suppliers. Our key suppliers are part of the global purchasing model (MCT), which sets out a standardised procurement process for the Telefónica Group. A distinction is made between MCT procurement processes, these being handled by the Purchasing department, and non-MCT procurement processes and low-value purchase processes, which are effected without the involvement of Purchasing.

TGS works with the Group's national companies around the world and continuously coordinates its activities with the Telefónica Deutschland Group's Corporate Responsibility, Compliance, Legal and Data Protection departments to achieve supply chain sustainability. TGS is represented on the human rights committee and on the Telefónica Deutschland Group's energy and environmental committees. TGS provides our buyers with the most important sustainability-related parameters regarding suppliers identified as posing a risk in the form of an EcoVadis score in our central purchasing system.

If suppliers fail to score a set minimum number of points, they can be barred from being contracted in the purchasing system. If a supplier's score improves but remains unsatisfactory, we expect them to implement an action plan to optimise their performance as a supplier. As a final resort, on-site audits are performed as part of the industry initiative that is the JAC.

The Telefónica Deutschland Group carries out a further supplier management risk analysis periodically. The focus is on the most important suppliers – based on risk and procurement volumes. We assess the global and industry-specific sustainability risks for all product groups, for example those relating to labour conditions, safety, health, environmental protection, human rights, conflict materials, customer satisfaction and data protection.

Active suppliers are in addition checked by an external service provider on a recurring basis with regard to financial risks. The results are fed into our central purchasing system and shown to the purchaser in the tender summary. Before contracts are awarded to high-risk suppliers, the responsible departments have to decide whether the risk is too great or not for the individual suppliers to be awarded contracts. This decision is documented in the purchasing system. All of a supplier's risk indicators can be seen by the buyer in a 360° perspective in our purchasing system, giving them comprehensive information at a glance when inviting suppliers to tender.



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**MINIMUM STANDARDS FOR SUSTAINABLE BUSINESS THAT ARE DEFINED IN THE SUPPLY CHAIN SUSTAINABILITY POLICY:**



**ETHICAL CRITERIA**

Observance of international conventions and national and local laws

Identifying, preventing and reducing negative impacts on human rights

Prohibition of corruption, blackmail and bribery

Avoidance of conflicts of interest



**SOCIAL CRITERIA**

Recognised labour relationship

Work schedule

Appropriate wages and salaries

Prohibition of forced labour and trafficking

Exclusion of child labour

Prohibition of violence and harassment in the workplace

Freedom of association and the right to collective bargaining

Diversity, equal opportunities, inclusion and non-discrimination

Health and safety conditions

Exclusion of conflict minerals



**ENVIRONMENTAL CRITERIA**

Compliance with all laws

Life cycle and preventive action

Documented environmental policy

Environmental management in accordance with ISO 14001

Measures against climate change and reduction of greenhouse gas emissions

Management of waste, disposable plastic, eco-rating

Dealing with dangerous substances and chemical products

Environmentally efficient consumption of materials and resources and atmospheric emissions

Environmental training



**DATA PROTECTION, CONFIDENTIALITY OF INFORMATION AND FREEDOM OF EXPRESSION**

Compliance with internationally and nationally applicable data protection legislation (data protection management system)

Guidelines for artificial intelligence

Technical and organisational measures

Right to privacy and freedom of expression

**REPORTING POINTS FOR SUPPLIERS AND AFFECTED PEOPLE:**

Suppliers and their employees have the opportunity to observe the aforementioned minimum requirements for sustainable business by submitting questions or complaints; this can be done via our confidential channel on the [supplier website](#), through our channel for human rights complaints, and by making contact with an independent lawyer who serves as an anti-corruption ombudsman.



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STRATEGIC PRIORITIES

## Further improving the suppliers' sustainability performance

The Telefónica Deutschland Group revised its SCSP in 2019. We will continuously bring the purchasing processes of Telefónica Global Services GmbH (TGS), the specialist departments of the Telefónica Deutschland Group, the CR department and the contact with suppliers into line with the SCSP by the end of 2020. The SCSP is made available to the Telefónica Deutschland Group's buyers via the central purchasing system. The key changes made to supplier management are communicated to the relevant employees via the intranet and through training.

In the area of supplier assessment and contracting, TGS uses SuMa (Supplier Management), a standardised tool comprising not only cost and quality benchmarks but also social, environmental and economic criteria. Following an assessment, we determine improvement measures and monitor their fulfilment. We are continuously developing the criteria oriented towards sustainability, drawing among other things on what we know from our established management systems in accordance with the ISO 50001 (energy management), ISO 9001 (quality management) and ISO 14001 (environmental management) standards.

By the end of 2020 we will have put in place a process to improve the sustainability performance of suppliers with an elevated risk. This involves our performing risk analyses every two years and asking the suppliers who pose a potentially elevated risk to submit a self-assessment via the EcoVadis portal annually. In the reporting year, we did not invite any new suppliers through EcoVadis.

We were able to make important progress in several areas of our sustainable supplier management in 2019:

- To date, 98% of the suppliers managed by Purchasing have accepted our anti-corruption declaration.
- We reassessed 38 suppliers who were already registered in EcoVadis.
- We evaluated 25 suppliers with 44 assessments as part of the SuMa process.
- Up to the end of 2019 no high reputation risk had been identified for any of the registered German suppliers.



| SUPPLY CHAIN   | UNIT   | 2017 | 2018 | 2019 |
|--|--------|------|------|------|
| Suppliers  | Number | 888  | 863  | 723  |
| of which suppliers in Germany                            | Number | 617  | 596  | 574  |
| Number of supplier assessments within the SUMA processes | Number | 56   | 48   | 44   |

A detailed presentation of the key supply chain figures can be found [here](#).



# Strengthening Life in the Digital World

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## Our ambition

We succeed in encouraging all people to embrace the digital opportunities available and develop their skills in everyday digital life according to their individual requirements and wishes. In the years leading up to and including 2020 over 50 million people benefit annually from our products and programmes, enabling them to live digital and independent lives.

## Target attainment



# Sustainable Innovations and Products

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## Commitment

In the years leading up to 2020 we will push technologies to simplify linking up people, devices and machines in the private and industrial world. The goal is to support our customers in the realisation of new digital products and business models in order to give all areas of society access to digital products.

## Our achievements

We reposition ourselves regarding data analytics and work with our partners on new mobility solutions. We blaze a trail with our 5G networks in Sindelfingen and Berlin. Wayra serves as an important link between Telefónica and start-ups.

## Target attainment



## Focused SDGs

We wish to promote sustainable economic growth in order to protect people and the environment. Thanks to innovative technologies, we make responsible production possible and strengthen sustainable development, for example of towns/cities and traffic flows.



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# Innovations for a more sustainable world

## BASIC PRINCIPLE

### Digital added value for people and society

As one of the largest telecommunications providers in Germany, the Telefónica Deutschland Group sees itself as a pioneer in shaping the digital transformation responsibly. Our declared goal is to advance sustainable development with digital technologies. We therefore give consideration to the impacts that our digital business model has on the environment and society, always with the focus firmly on people.

We want to make people's lives simpler, safer, healthier and more environmentally friendly with our digital products and services. Sustainable innovations are key to achieving this. In this connection, we rely on analysing large amounts of data, networking devices, and innovative products for the customer with the focus on mastering day-to-day requirements with digital solutions and making them safer. Our products unite the triad of "Networking. Analysing. Optimising."

The Telefónica Deutschland Group specifically advances innovation in collaboration with the public sector and digital companies. In this respect, we are involved in an array of projects run as part of the mFUND research initiative launched by Germany's Federal Ministry of Transport and Digital Infrastructure (BMVI). This focuses in particular on projects that promote efficient and environmentally friendly traffic planning in various regions.

Wayra, the Telefónica Deutschland Group's innovation laboratory that focuses on areas such as artificial intelligence, data analysis and customer service, serves as a link between our company and start-ups. Wayra identifies start-ups in the new information and communication technologies which demonstrate a high degree of innovation and enables them to test and scale their solutions and products in cooperation with us. Each of the start-ups supported by Wayra has direct contact with one of our departments with the aim of their products being integrated into our existing systems and our core business. Wayra also assists the start-ups with tools, mentoring and advice, modern offices in the heart of Munich and the funding they need to guarantee the best possible growth.

## PROCESSES & MANAGEMENT

### Clear targets and data protection compliance

We have set ourselves important strategic targets in the area of sustainable innovations and products. In the years leading up to 2020 we intend to push technologies to simplify linking up people, devices and machines in the private and industrial world. Development and management of innovative projects and solutions extends across all the divisions. Responsibility for the segment Internet of Things (IoT) together with the business customer area lies with the B2B directorate, which reports directly to the Chief Executive Officer (CEO). The Advanced

Data Analytics (ADA) division is overseen by the Chief Financial Officer and the Chief Partner and Wholesale Officer.

The prerequisites for digitalisation of the relevant services have been created by offering high-performance network infrastructure and data analysis. Complying with the strict data protection requirements for all of our products and technologies is a top priority in our approach. Our anonymisation process, which was certified by TÜV Saarland for up to and including 2019, is a good example of this. This makes it impossible for data from digital sources, such as a mobile network or wireless local area network, to be assigned to a specific person. Due to the anonymisation, the customer's consent is not necessary from a legal point of view. The Telefónica Deutschland Group makes it possible, nevertheless, for customers via a simple online form to at any time object to their data being processed for the anonymisation process. This gives every customer the opportunity to weigh up their personal preferences and the benefit that their data may create for the economy and society.



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STRATEGIC PRIORITIES

## Network expansion with 4G and 5G

The Telefónica Deutschland Group is using additional infrastructure investments to pursue the goal of advancing network expansion and perceptibly enhancing the online customer experience. The investment programme centres on stepping up network expansion into rural areas with 4G in particular and the accelerated expansion of 4G and 5G capacities in towns and cities.

We have a wealth of 5G expertise: following numerous tests involving high mobile communications speeds in places including Munich and Hamburg, we have already set up our first campus networks, including the first of its kind in the capital, Berlin. 5G offers, for example, companies the huge potential of being able to build up and use independent network infrastructures – either via local models or using national network solutions. We are seeing to it that the 5G future standard is already a reality for Germany as an industry hub today: together with the network equipment provider Ericsson, we are installing a high-performance 5G network for our customer Mercedes-Benz Cars in Factory 56 at its site in Sindelfingen. This will be one of the first 5G networks for vehicle manufacture. This also makes us one of the telecommunications service providers in Germany to be going above and beyond merely 5G testing scenarios as we are creating a modern 5G network for a customer's actual production operations. This is a major milestone in the history of mobile communications and on our way to becoming "Mobile Customer & Digital Champion".

Use of this 5G network will enable Mercedes-Benz Cars to establish more state-of-the-art and more efficient production processes at its factory. For example, thanks to greater resource efficiency, big-data analyses and predictive maintenance can boost manufacturing sustainability and quality assurance and provide for production process accuracy. Processes are optimised by the factory's own network and can as

required at short notice be adapted to meet changing market demands. The machinery and systems are intelligently interconnected, and large volumes of data ("data showers") can be processed within a very short space of time for various testing scenarios for the automobile of the future. The 5G mobile communications standard offers fast gigabit data transmission rates, very short latencies and a high degree of reliability. Another advantage of using a local 5G network is that it means sensitive production data does not have to be made available to third parties.

## Our commitment to broad LTE expansion

Another important step was jointly taken in 2019 when the policymakers and network operators signed the national mobile communications pact in order to expedite Germany's digital transformation. More specifically, this agreement requires the network operators to meet ambitious network expansion targets over the next few years, with expansion throughout the country and to previously undersupplied regions. In this context, our company will establish an additional

333 sites in so-called black spots by the end of 2021. This is our way of making a major contribution in particular to supplying people in rural regions with high-performance LTE mobile communications and of further improving our customers' user experience. In return, the policymakers have made a commitment to promote the sector's ability to invest. This includes in particular improved payment conditions for the 5G frequencies purchased at auction.

### Customers benefiting from technical innovations

We launched Mobile Connect in cooperation with Deutsche Telekom and Vodafone Deutschland. This mobile-phone-based login process makes signing into online services simple and secure on PCs, tablets and mobile phones. It meets the global GSMA standard and is therefore compatible with the services of all international mobile network operators. All customers need to log in are their smartphone and their mobile phone number. There is no need to enter a username or password, which is not only more convenient, but also makes a significant contribution to greater login security as it reduces the risk of password theft. The use of common passwords or passwords which are rarely changed across many different platforms often makes



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login details a popular target for criminal hackers. Together with our partners, we intend to rapidly expand Mobile Connect and establish it as the standard means of logging into online services in Germany.

The O<sub>2</sub> DSL Service Suite for laptops or PCs and the O<sub>2</sub> DSL Hilfe app for smartphones make it easier for our customers to set up their DSL router, their DSL Internet connection and their devices themselves. Since 2019 the O<sub>2</sub> DSL Hilfe app has also been offering interactive assistance with innovative features when first setting up a DSL connection. In addition, a disruption ticker informs customers of any already known fixed-line network restrictions and once these have been remedied.

## NB-IoT and LTE-M: new machine networks go live

We reached another milestone for our business customers' IoT projects in 2019 and launched narrowband IoT (NB-IoT) and LTE-M regionally in the O<sub>2</sub> network. We therefore now offer these two machine networks that are standardised by 3GPP. NB-IoT and LTE-M are standardised low-power wide-area network (LPWAN) technologies that provide optimum data transmission means for a vast array of companies' IoT solutions. NB-IoT is best suited to interconnecting stationary devices with little data traffic and low electricity consumption, such as smart metering, agricultural solutions and smart parking. LTE-M, on the other hand, is suitable for mobile applications that involve the transmission of an average data volume or for applications that require continuous data transmission and telecommunications access, such as trackers and wearables. In addition to the affordable cost structure, these two network types are impressive in that they allow services to be provided in places where there is no power supply or where there is insufficient network coverage.



An innovative solution for business customers wishing to execute more IoT projects in the future is the creation of a so-called private LTE (P-LTE) network. A private LTE network uses Telefónica's own frequencies, making it considerably more resistant to disruptions and more reliable than public domain Wi-Fi networks, which are frequently overloaded. In addition, SIM-based authentication makes P-LTE networks more secure. And investments needed for and the costs involved in installing, implementing and operating them are reasonable. LPWAN standards that are important for IoT, such as NB-IoT and LTE-M, can likewise be realised in such a private LTE network.

## Future-oriented IoT technologies for the B2B area

The Internet of Things will continue to gain in importance a lot for the German economy and for its ability to develop business models organised on a sustainable basis. The number of IoT projects in major and medium-sized enterprises is already increasing significantly, as demonstrated by IDG Research Services' current [Internet of Things 2019/2020](#) study.

The Telefónica Deutschland Group is likewise seeing an increase in demand from SMEs in the area of IoT. The millions of devices and machines that will be interconnected within the IoT in the years to come will need robust, high-performance and reliable mobile communications networks. These are the basis for sustained success of innovative developments such as smart cities, Industry 4.0 and telemedicine.

Our IoT solutions enable automatic data transmission between objects and machines. In this area, we are working on innovative network technologies such as NB-IoT and 5G for the intelligent communication of the future. Our customers are afforded access to all the important information needed in order to manage their machines' connectivity and to analyse processes. We see expanding this interconnectivity as putting us on the right path for creating digital added value for our customers. We are already supporting a large number of [companies in a vast array of sectors with the digitalisation of their business solutions](#) in the area of IoT. The impressive range includes mobility and logistics companies to energy utilities, wearables manufacturers and producers of robots.

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With IoT Connect, we have the right tariffs for data transmission and for intelligent interconnectivity and its management: there is IoT Connect Deutschland for primarily nationwide use and there is IoT Connect Europa for usage that includes the neighbouring European countries. With the Vivo-o<sub>2</sub>-Movistar global SIM card, we guarantee maximum network security and availability for the optimum connectivity of machines and devices in Germany and abroad.

The fundamental component of our IoT offering is the Telefónica Kite platform for the business customer area. This offers our customers a convenient and effective management system for all M2M/IoT SIM cards. The system thus serves as an all-in-one solution for the management and monitoring of all of a company's IoT and M2M activities. In 2019 the Telefónica Kite platform was named product of the year in the category of "IoT Services and Platforms" in the *funkschau* readers' choice – for the third time in a row.

## Smart cities for a more sustainable world

We want to play our part in the development of smart cities in which the citizens can benefit from a sustainable quality of life. Our smart city concept is based on our knowledge as a telecommunications service provider of how people use technologies and what the people living in a modern city expect. We make this knowledge available to municipal decision makers and develop diverse digital solutions with them, our product portfolio and open platforms.

In 2019, for example, we supported the city of Gelsenkirchen, which had already been designated a "digital model municipality" by the state of North Rhine-Westphalia. As a result, the two municipal utilities GELSEN-NET and Emscher Lippe Energie are using machine networks which were only recently put into operation in the Telefónica Deutschland Group's live network.

In a pilot project which was unique in Germany, the two utilities joined with us to test the quality of the incoming and outgoing signals of NB-IoT and LTE-M in comparison to conventional mobile communications networks in thousands of homes in Gelsenkirchen – in particular in basements, where electricity meters are usually installed. This sheds light on the extent to which NB-IoT and LTE-M can be used widely for smart metering applications.

The Telefónica Deutschland Group and the public transport company Berliner Verkehrsbetriebe (BVG) concluded an agreement in 2019 concerning further expansion of modern mobile communications technology within Berlin's underground railway network. The expansion project being led by us meets the regulatory requirements regarding supplying all customers with modern mobile communications technology. This will also give customers of the two providers Deutsche Telekom and Vodafone access to LTE in the underground tunnels and on platforms. We have been offering the LTE mobile communications standard to our customers throughout Berlin's underground railway system since 2016.

The technical expansion is being made possible by an innovative concept involving so-called BTS hotels (BTS stands for base transceiver station) that provide underground railway line users with fast data services centrally and very flexibly. These BTS hotels are centrally located service rooms that bring all the mobile communications systems together in one place. From there, the mobile communications capacities are transmitted to the antennas via fibre optics, based on needs. This allows for the virtually loss-free distribution of mobile communications capacities to the surrounding tunnels and platforms. This special mobile communications project, which is the largest of its kind in Germany, is also making it possible to create a future-oriented network design in preparation for the roll-out of 5G.



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## Data analysis cooperations and models

As a mobile network operator with currently close to 50 million connections, we have access to vast data volumes in our day-to-day business processes. This data – such as mobility data – is often exclusively available to us as network operators. With the line of business Advanced Data Analytics (ADA) and research projects, we are seeking to tap the innovation potential that data analysis offers to all areas of life and for the benefit of society, from climate-friendly mobility and healthcare to efficient energy management and private consumption.

Involving our stakeholders in our diverse activities is a matter of crucial importance to us here. As such, the Telefónica Deutschland Group maintains various project-level cooperation partnerships, for example with Teralytics AG, which specialises in big-data analytics in the transport sector. Together with our project partners, the Telefónica Deutschland Group has used anonymised mobile communications data to calculate traffic flows and show potential for reductions in emissions. This has led to a project for measuring emissions and traffic in exceptional incidents (IncidentAnalyse) sponsored by the BMVI as part of the mFUND (modernity fund) programme, which we are involved in.

## Progress of Aura

Aura, the global Telefónica organisation's artificial intelligence, was incorporated into the O<sub>2</sub> website in 2019 as a direct interface between us and our customers. Step by step, Aura is offering a consistent customer experience across all the relevant channels as well as information and services which are specifically tailored to the customers. In addition, the Aura voice-controlled assistant features a large knowledge database which makes answering questions concerning O<sub>2</sub> services easier. Content can, moreover, be updated flexibly on a daily basis, which means Aura can keep people abreast of the latest products and campaigns. What is more, Aura learns every time a customer submits something, thus its understanding of language is constantly optimised.

## Projects and cooperations

Another BMVI-sponsored project in the year under review, Extended Mobile Network Data (xMND), was all about the demand-based planning of public transport. The aim of the project was to develop processes that allow demand data for public transport to be generated with high time and space accuracy on the basis of anonymised mobile communications data and for this data to be continually made available to the market. With the help of two use cases, concrete realisation perspectives were developed together with transport companies (including MVG in Munich) to be used for monitoring and planning public transport.

We also supported the ProTrain initiative sponsored by the BMVI, which seeks to achieve efficient passenger steering to improve the use of existing rail transportation capacities. Passenger headcounts were combined with anonymised mobile communications data and information on the operating situation, weather influences, current incidents and events in order to forecast demand better. This was tested on two regional rail lines within the Verkehrsverbund Berlin-Brandenburg (VBB), the integrated public transport network covering the federal states of Berlin and Brandenburg.

We entered into another cooperation with the Wayra start-up Mostly AI, which specialises in data synthesising. The cooperation with the start-up focused on facilitating the use of large data volumes and at the same time comprehensively protecting the customers' privacy.



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## Wayra: successful partnerships with start-ups

In 2019 we promoted ten new start-ups in the areas of smart retail, data analysis and lead generation through our Wayra innovation laboratory. For example, our Human Resources division is currently collaborating successfully with the start-up Cobrainer. With the aid of AI technology, employee profiles are matched with suitable internal job advertisements and cross-divisional collaboration is promoted.

The new partner programme “Wayra as a Service” (WaaS) was also further advanced. Here, Wayra helps other companies to find start-ups as partners to assist them in developing new processes or services. The final of the “Be an Innovator Student” programme of the cooperative partner BearingPoint was held at Wayra in Munich in 2019. The winners were Team ReGreen from the University of Vienna, who set themselves the goal of calculating companies’ carbon footprints and assisting the businesses in offsetting their footprints.

In 2019 Wayra additionally made a mid-six-figure investment in the Berlin software company Motiontag, which specialises in the analysis of anonymised mobility data and which has developed self-learning software for the use of local public transport. Wayra received the Capital Award in the category “Best Innovation Labs” in 2019, thus placing it among the top three in Germany. Wayra was also named “Best Corporate Incubator/Accelerator” together with two other companies at the European Corporate Startup Summit in Zurich. This recognises corporate programmes through which innovations are realised in partnership with start-ups.

## Efficiency advantage thanks to smart metering

We use digital innovations to optimise our operating processes too, such as in the area of energy management. We currently maintain contracts with approximately 800 distribution system operators around Germany and with the default metering point operators who supply our mobile network systems with power. We want to significantly reduce the resources used as a result at almost all of our consumption points. The smart meters continuously log the consumption data in much greater detail and transmit it to a cloud server via an IoT wireless unit. The data is stored there safely for us to retrieve at any time and then evaluate in numerous ways. Our partner will have installed smart meters at almost all of our mobile communications sites by the end of 2021. By the end of 2019 2,865 sites had already

been equipped with new meters. At least 300 new meters are to be installed per week starting in 2020, and we had a total of more than 4,000 modernised sites at the end of January 2020.

Electricity meter replacement offers us some major advantages: it gives us detailed records of each site’s consumption without our having to visit the sites to take readings. Remote metering can be used to identify any consumption anomalies. In addition, it is easier to guarantee the predictive maintenance of sensitive system components such as fans. Also, having a virtually complete overview of the energy needed in the mobile communications network provides the opportunity to optimise budgeting, purchasing and resetting processes.



# Digital Inclusion

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## Commitment

We make people of all age groups fit for the digital world. We will provide ten million people with inspiration and support in the years leading up to and including 2020 with Germany-wide programmes and initiatives that promote digital participation.

## Our achievements

We address cyberbullying and online hate with the #LOVEMOB campaign and youth workshops. The “Digitally Mobile in Old Age” senior-citizen programme reaches over 32,000 people. Think Big ended in 2019 with a successful record and a future festival.

### Target attainment



## Focused SDGs

With our high-quality educational services for all age groups, we seek to promote digital inclusion and reduce inequality in society. We wish to offer everyone access to our services and therefore to the world of digital communication.



# No chance for online hate

## Digital inclusion and digital well-being

*"Where observing cyberbullying is concerned, our goal is to motivate people to not simply read on, but actively do something about it – and we welcome every individual who answers our call. With our range of many small #LoveMobs as well as those which continue to increase in size, O<sub>2</sub> as a brand that stands for freedom wants to inspire people to stand up for what is right in the digital world and ensure people can navigate the online sphere freely."*

Wolfgang Metze, Chief Consumer Officer of  
Telefónica Deutschland Holding AG

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Cyberbullying leaves a mark on people. A recent representative GfK study commissioned by O<sub>2</sub> shows clearly that young people in particular are affected, with almost one in three 14- to 19-year-olds having felt personally attacked at least once in social networks and with the same proportion knowing somebody who has been bullied online. Nonetheless, 44% do not step in when they witness cyberbullying. The spreading of hate speech online poses a threat to democracy too. According to a survey, half of all Internet users keep their political opinions to themselves for fear of hate speech online.

In addition to major opportunities for dialogue and development, the Internet involves challenges. For years, we have been promoting strengthening people's control when using the Internet in order for them to navigate the online world safely. At the end of 2019 we appealed to people to take a strong stance against cyberbullying together with Mats Hummels, Palina Rojinski, Dagj Bee and Mike Singer through our core brand O<sub>2</sub> using the hashtag #LOVEMOB. They are encouraging people to no longer ignore insults and hate speech and to leap to the defence

of those affected instead. The O<sub>2</sub> campaign is a call to demonstrate digital moral courage and its aim is to generate a positive group dynamic throughout Germany that will strengthen social cohesion and combat the exclusion of individuals on the Internet. We also champion young people having the skills to actively combat online hate themselves by means of workshops, events and panel discussions. Dealing with hate speech was, for example, the topic of an event held at the BASECAMP together with digital experts and politicians under the motto of "Respect online too". In workshops, schoolchildren developed their own strategies and ideas for combating cyberbullying such as a digital suggestion box, more education, better prevention through legislation, platform operators taking more stringent action to combat hate speech and last but not least greater respect and tolerance in online encounters.



#LOVEMOB



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# Digital participation for all generations

## BASIC PRINCIPLE

### Facilitating digital participation

We want all people to be able to benefit from digitalisation and we want to enable them to navigate the digital world in a self-determined and safe manner. In the course of this, we consider it important to familiarise people with the potential and the opportunities presented by digitalisation, but also sensitise people to the potential risks. Not everybody has the technical prerequisites or necessary knowledge to handle digital media confidently. That is why the Telefónica Deutschland Group is committed to helping people of different ages access information, media and digital technology more easily. The Telefónica BASECAMP serves as the central platform for societal dialogue regarding digital inclusion issues.

We help young people navigate the digital world and expand their technological and social skills. Now that the Think Big promotional programme has ended, we help young people deal with cyberbullying primarily in workshops and develop strategies for greater respect online together with them. The Telefónica Deutschland Group and the Digital Opportunities Foundation are also championing the needs of the elderly with the "Digital mobil im Alter" (Digitally Mobile in Old Age) programme to let this age group benefit from the digital world too. And last but not least, the O<sub>2</sub> Gurus are and will continue to be an important point of contact for all questions, tips and tricks surrounding life in the digital world.

## PROCESSES & MANAGEMENT

### Tracking programme target attainment

As part of the Telefónica Deutschland Group's Responsible Business Plan 2020 we are pursuing the goal of making people fit for the digital world and of reaching ten million people of all age groups with our programmes by 2020.

In order to achieve this objective, we evaluate our measures and projects and develop them further in a targeted manner. We use scientific studies and surveys to do so. Moreover, we evaluate individual programmes and events in detail. The relevant performance indicators such as the number of participants at events and symposia and the number of website visits are established in advance. We regularly collect feedback from our project participants in order to be able to even better meet the

needs of the various age groups in future. Responsibility for our promotional programmes lies with the CR departments in Munich and Berlin. They report directly to the Chief Officer for Legal and Corporate Affairs of the Telefónica Deutschland Group and manage programme development and the processes together with our long-standing cooperative partners.

## STRATEGIC PRIORITIES

### Assisting people in joining the digital world

#### Actively tackling cyberbullying with young people

Cyberbullying has become a growing problem in society. Many people feel their freedom is restricted by insults and threats from others. The anonymity of the Internet makes the perpetrators feel uninhibited





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and prosecuting them is often difficult. According to a study by Bündnis gegen Cybermobbing (Alliance against Cyberbullying), nine million people in Germany alone have already been victims of online bullying. Young people in particular are affected. Another recent representative GfK study commissioned by O<sub>2</sub> on the topic of cyberbullying illustrates the dimension: 76% of young people in Germany say they have witnessed cyberbullying, with 1.5 million young people even witnessing cyberbullying on a weekly basis. And one in four 14- to 19-year-olds has been affected directly at least once in the past.

We took a stand against cyberbullying and cyberviolence with numerous initiatives throughout Germany in 2019. We see it as a particular responsibility of ours to support young people and their schools with prevention work. For example, we organised a workshop entitled “Spielregeln für ein digitales Miteinander” (Rules of play for digital interaction) at the BASECAMP in Berlin on National Respect Day on 18 September 2019.

Around 100 schoolchildren addressed the issues of cyberbullying and online hate under the professional supervision of experts from the association Deutsches Kinderhilfswerk e. V. (German Children's Fund), bloggers and mentors. Working in groups, they developed immediate assistance strategies and a guide to dealing with cyberbullying and to establishing respectful conduct online.

Following a discussion event entitled “Respect online too” involving Renate Künast of the Alliance 90/The Greens political party, online activists, bloggers and influencers, the schoolchildren took a close look at hate speech in another workshop and developed counterstrategies. The measures proposed included, for example, increased class-based teaching about the topic, a more systematic legal response to hate speech and the promotion of tolerance in communication.

Our mobile communications brand O<sub>2</sub> is likewise tackling cyberbullying and is seeking to encourage people

in Germany to demonstrate greater moral courage online. With the support of some big names, it launched a campaign to help young people with hostility and insults in the virtual world. Together with professional footballer Mats Hummels, TV presenter Palina Rojinski, YouTuber Dagi Bee and singer Mike Singer, O<sub>2</sub> used the hashtag #LOVEMOB to call upon people to get behind those affected and clearly position themselves against cyberbullying with their own comments in social media. All the celebrities led by example and inspired the online community to actively participate in the campaign.

### Successful record for Think Big

We wrapped up the Think Big programme in 2019 after just under ten years. The youth programme run by the Telefónica Foundation and the German Children and Youth Foundation (DKJS) in partnership with O<sub>2</sub> was the largest corporate responsibility programme in the history of Telefónica in Germany. Think Big encouraged and assisted 14- to 25-year-olds in navigating the digital world and in expanding their technological skills. Under the motto of “Empowering young people for the digital world”, adolescents and young adults learned what is meant by “big data”, “making and coding” and “digital story design”. They were encouraged to develop and then implement their own social digital ideas. From the beginning of the programme, close to 120,000 young people took the step from being consumers to shapers of our digitalised society with nearly 4,000 projects.

At a formal Think Big “future festival” and in a round-table discussion involving young project developers, the focus was already on the future, with topics such as climate change, participation, digital education and how to deal with cyberbullying and online hate being worked through as key issues for young people. These serve as important starting points for the Telefónica Deutschland Group's continued commitment to the interests and needs of the young generation. What is more, the termination of Think Big by no means spells the end for the projects: according to DKJS, 87% of

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those who went through the programme are continuing with their work, even after their funding comes to an end.

### “Digital mobil im Alter” promotes skills among senior citizens

Together with the Digital Opportunities Foundation, we have been championing greater digital participation among senior citizens for more than seven years. With the project “Digital mobil im Alter – Tablet-PCs für Senioren” (Digitally Mobile in Old Age – Tablets for Senior Citizens), for example, we give elderly people the opportunity to spend eight weeks familiarising themselves with tablets and gaining online experience with the support of experts.

Together with the scientific director of the Digital Opportunities Foundation, Prof. Herbert Kubicek, the Telefonica Deutschland Group supported the implementation of an empirical study examining the digital user behaviour of the elderly in their everyday lives. A “Digital skills for the older generation” guide was then developed on the basis of the study results. Using examples, it teaches how to plan and design a needs-based offering for the support of senior citizens. In 2019 it was expanded to include topics such as expertly handling hate speech or fake news, and assistance for beginners was added. The second expanded edition of the guide was produced in a print run of 1,000 copies and was distributed to institutions throughout Germany. There is also a digital version available to download for anyone who is interested. The guide was also nominated for an ALL DIGITAL Award in the category digital resources, as organised by the European association ALL DIGITAL. The awards recognise projects that promote digital inclusion in Europe.

“Digital mobil im Alter” is promoted by ministry representatives and politicians, charities, social agencies, senior-citizen advisory committees and representation, institutions for senior citizens and associations and



volunteers. The project was presented at different symposia and trade fairs in the past year. For example, Prof. Kubicek contributed our experience of planning programmes to the discussions held by the group of experts put together for the German government’s 2019 Report on the Elderly. “Digital mobil im Alter” was also showcased at the re:publica conference. We reached more than 32,000 senior citizens with “Digital mobil im Alter” in 2019 with just under 4,000 of these going on to promote the project to others.

Our goal is to add further attractive formats to what we offer for the digital inclusion of senior citizens, such as a digital “treasure hunt”. Here, we encouraged senior citizens in Berlin to explore their city in a fun way with the aid of tablets and smartphones and to remain physically and mentally fit in the process. The Actionbound application presented the participants with digital tasks

at various waypoints, for which points were awarded if the tasks were solved. In addition to researching the answers online, they were required to take photos and make sound recordings or use QR codes to navigate the Internet more quickly. The participants included Klaus-Dieter Gröhler, member of the German Bundestag for the Berlin district of Charlottenburg-Wilmersdorf, who stressed the importance of digitalisation for a better quality of life for the elderly.

We also took the International Day of Older Persons on 1 October 2019 as an opportunity to invite older people to the BASECAMP in Berlin for an event entitled “Digital journey around the world – a quiz on the International Day of Older Persons”, as mental and quiz games such as FreeCell, sudoku, solitaire and crosswords are not only popular among the elderly – they also keep them mentally fit. There were various stations located around

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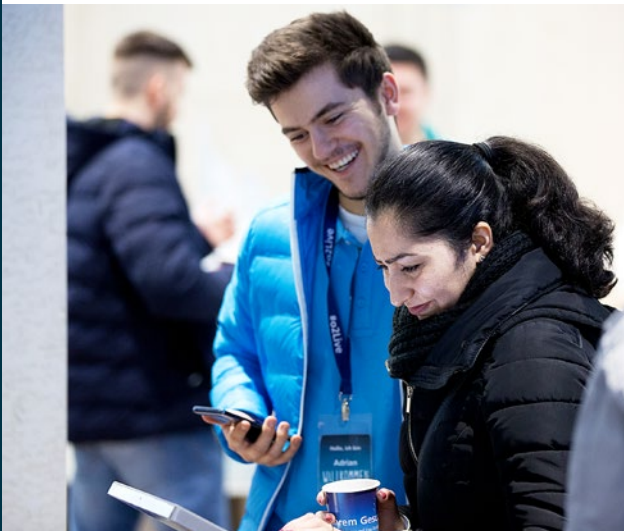
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the BASECAMP. Individually and in groups, the participants took a virtual trip around the globe and put their general knowledge to the test. The route encompassed all of the continents. Along the way, questions could be answered about various countries and a wide range of topics in exchange for points, such as “How is Internet data transmitted from continent to continent?” and “What is an emoji?”. The participants were thus introduced to the topic of digitalisation and the opportunities it offers in a fun way.

To promote digital inclusion for the elderly in the context of future technologies too, we are addressing, among other things, the debate within society regarding artificial intelligence. For example, we focused on the topic of artificial intelligence and senior citizens at the Telefónica Deutschland Group’s representative office in Berlin in 2019 together with the Digital Opportunities Foundation. Experts from the business world, politics, society, science and start-ups discussed practical technologies which could be used in day-to-day life such as speech assistance systems, ethical issues, diminishing people’s fears and reservations, and the wish of senior citizens to have autonomy, transparency and control over their data.



**O<sub>2</sub> Gurus at our customers' side**

Under the motto of “Help, advise, inspire”, the O<sub>2</sub> Gurus are there for our customers both online and in the O<sub>2</sub> shops. They use direct dialogue at the local level or webinars to make the best possible way of using digital technology more accessible to users of different ages. The offering also includes numerous videos and blog articles that explain digital products and services simply and clearly. All the customer groups are provided with useful tips and tricks through Helping Hands videos. Our customers can also experience digitally inspiring contact via messaging or our video shop. The Telefónica Deutschland Group has set up a special emergency communication service for people with a hearing and speech impairment: customers can contact us via text message and the text message is faxed to an emergency call centre.

In 2019 the O<sub>2</sub> Gurus and our service staff and shop and partner shop employees who have been trained in digital topics inspired a total of 725,000 people via the various service channels such as the hotline and chat, messaging, the video shop and the Helpbox as well as more than 1.5 million contacts in person-to-person talks in the shops/partner shops. The official O<sub>2</sub> YouTube channel was used to distribute 47 digitally inspiring videos, which were viewed a total of approximately 1,115,000 times. We receive approximately 1,650 text messages per month within the framework of our services for people with a hearing and speech impediment.



# Data Protection and Information Security

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## Commitment

We are working to ensure customers retain sovereignty over their data and remain the masters of their digital lives. We protect the data of our clients, employees, partners and investors in all products and processes and ensure that the Telefónica Deutschland Group's business activities comply with data protection requirements. Our actions in this are straightforward and transparent, and we communicate with all the relevant interest groups about innovations early on.

## Focused SDGs

Strict internal rules assist us in rigorously ensuring data protection, guaranteeing information security and observing relevant laws and regulations. Our customers should always have control over their personal data.



## Our achievements

We introduced a digital tool for data protection advice and management. Training and an awareness campaign sensitise employees to data protection. Moral courage, industrial espionage and security are the focus.

### Target attainment



# Data protection & information security in focus

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### BASIC PRINCIPLE

## Telefónica Germany takes data protection and information security very seriously

The digital age brings with it the challenges of rethinking data protection and privacy, among other things against the background of the increasing general threat of cyberattacks. Every day, millions of customers place their trust in the mobile network and services of the Telefónica Deutschland Group. We therefore take the protection and security of customer data very seriously and ensure that people remain in control of their data. We guarantee data protection and IT security on the basis of the relevant laws and regulations. We also make a commitment in our Business Principles to observing information security and transparency. The Telefónica Deutschland Group treats all personal and sensitive data confidentially and protects this data from any unauthorised access by third parties.

We protect the data of our customers as well as our employees, partners and investors in our processes and products. We seek to guarantee that the Telefónica Deutschland Group's business activities comply with data protection regulations by means of suitable measures. One primary focus in the reporting period was particularly the internal implementation of clarifications as decreed by the authorities and courts of law of the General Data Protection Regulation (GDPR) regarding processes and documents. We also placed the same amount of emphasis on raising awareness among our employees as to the implementation of the new data protection requirements.

We continue to update our data protection management system (DPMS) and information security management system (ISMS) in the area of corporate security and are developing both systems further in a targeted manner. For example, we restructured the monitoring and reporting of security key performance indicators for the company-wide management of information security. The existing crisis management concept is systematically implemented and put to the test in practice.

### PROCESSES & MANAGEMENT

## Clear rules and processes established

Strict rules and processes help to systematically safeguard data protection, guarantee information security and ensure that the relevant laws and regulations are complied with. This involves our regularly revising existing and adopting new guidelines if additional regulatory needs are identified and then implementing these in the company. The decisive frameworks include the Group's data protection standard, which forms the foundation of the DPMS, as well as our guidelines concerning data protection. These present our principles in handling data and in our communication with our customers and the public in a transparent manner.

The internal guidelines concerning security (Security Global Policy) and rules for minimum security requirements (Corporate Rule on Minimum Controls) apply throughout the organisation. These are supplemented

by a wealth of additional guidelines, standards and procedural instructions on various aspects of data protection. These include the guidelines for reporting data protection and information security incidents, the guidelines on data protection information obligations, the checklist for the rights of data subjects in accordance with the GDPR regarding the processing of users'/ customers' data, the newly created Privacy Consulting Process (PCP) and various procedural instructions. Our privacy policy contains clear guidelines on the protection of personal data that often go above and beyond the statutory specifications. Our employees receive annual training on this. All employees are additionally obliged to observe data and telecommunications secrecy.

The Data Protection Officer and Chief Security Officer are responsible for data protection and information security. They report directly to the Chief Officer for Legal and Corporate Affairs of the Telefónica Deutschland Group.

The aim of efficient structures and processes is to prevent violations in the areas of data protection and information security. With our company-wide DPMS and ISMS, we manage the processes that secure data protection standards, our targets, responsibilities and training as well as regular checking of measures that have been implemented. Information security managers and data protection coordinators have additionally been established in the departments as fixed points of contact in order to improve management of the DPMS.

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We work exclusively with business partners who accept our data protection rules in accordance with the guidelines on data protection agreements and the corresponding agreements. We also conduct audits among other things where our service providers are located. Likewise, the Telefónica Deutschland Group has clear processes and regulations in place for involving subcontractors and sets corresponding requirements for contracts.

We also have set rules in place for reporting data protection incidents. Our data protection hotline constitutes a first point of contact that can be reached conveniently. Our suppliers and their employees can moreover turn to us via the Telefónica Deutschland Group's [supplier platform](#) if they have any complaints. We endeavour to answer all data protection enquiries quickly and clearly and have defined clear operating processes for this.

We perform standardised checks before incorporating data into IT development and analysis processes. Our TÜV-certified data anonymisation platform with its three-stage anonymisation process also ensures that all personal references within data are removed prior to the data's statistical analysis.

Our objectives in the area of data protection and information security are:

- Ruling out the initiation of proceedings due to the violation of data protection regulations by achieving the best possible compliance with the data protection regulations
- Minimising the ratio of initiated processes to actual breaches
- Transparency regarding data usage
- Ability to react swiftly to major disruptions and dangerous situations that may occur, such as network failures, data misuse and bomb threats
- Localising areas of action pertaining to information security

No proceedings were initiated in the past financial year due to data protection infringements and violations of the legal provisions in this area. There were no data protection violations resulting in penalties in the form of fines. 26 reportable security breaches or incidents with regard to confidentiality, integrity and availability in connection with network and information security were identified. The incidents relate exclusively to the protection goal of availability and are mainly attributable to network consolidation work or to network element disruptions.

**DATA PROTECTION AND INFORMATION SECURITY IN NUMBERS**

|   | 2017 | 2018 | 2019 |
|---|------|------|------|
| Sets of proceedings initiated on the basis of data protection violations (Section 109a German Telecommunications Act [TKG]) | 1    | 0    | 0    |
| Penalties in the form of fines as a result of data protection violations during the year                                    | 0    | 0    | 0    |
| Reportable security breaches or incidents relating to information and network security                                      | 9    | 36   | 26   |
| Penalties in the form of fines paid in relation to security breaches or other network security incidents                    | 0    | 0    | 0    |

STRATEGIC PRIORITIES

**Pressing ahead with raising awareness and educating**

We provide regular, targeted and comprehensible information about how we process data. We base our actions on the principles of self-determination, transparency, protecting personal data, and innovation as enshrined in our guidelines regarding data protection.

The most important information tools our customers can access in a direct and targeted manner include the Telefónica Deutschland Group's [data protection website](#) and our brands' respective data protection websites. These explain in detail what types of data the Telefónica Deutschland Group processes, how we protect our customers' data and what they themselves can do to protect their data. Consumers can also exercise their rights in accordance with the GDPR. The customers are also provided with data protection information concerning our contracts upon concluding a contract. The project initiated in 2017 to implement the GDPR was continued with the aim of replacing temporary processes with automated ones, for example within the scope of the information provision process. In this way, we take the strain off the customer service staff, who can then focus on responding to customer enquiries quickly and on quality assurance.

There is regular training aimed at various target groups to increase security awareness. This allows us to sensitise individual departments, selected security contact points or even all employees at different locations.

Our employees regularly undergo mandatory training in the area of data protection and information security, including with the support of external data protection experts. Employees tasked with having a multiplier effect by training other employees are regularly given especially extensive training. There are such data protection coordinators in all of the departments, serving as an interface between the department's members and the data protection team. The coor-



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dinators prioritise enquiries in their area of business, handle standard topics and simple matters themselves and, if necessary, arrange contact with the relevant data protection experts. They are therefore the first point of contact for implementation of the DPMS.

The topics employee training on data protection and information security is currently focusing on include the responsible handling of the constituent data and traffic data that the Telefónica Deutschland Group uses to provide telecommunications services and in its data analysis processes for the development of new service offerings. In 2019, for example, we used information and education measures to raise people's awareness regarding recognising and preventing the planned theft of personal login data by means of phishing emails.

We also launched an awareness campaign at the beginning of 2020 concerning the processing of personal data in day-to-day business, which followed intensive preparatory work in the second half of 2019. This is aimed at employees at all of the Telefónica Deutschland Group's sites, including its shops and customer service centres. Here, we pick up on everyday situations that ideally all the employees can relate to. The aim is to raise awareness and promote dialogue regarding data protection issues. Our data protection experts therefore made the campaign easy to understand with the help of various posters and digital motifs depicting typical cases. Campaign motifs were put in unusual places that tied in with the motifs. For example, warnings about the problem of leaving documents lying around were put up in printer rooms and placed on conference tables. Each of the campaign motifs makes reference to additional information which is available in the "Data protection" section of the intranet together with tips about the best course of action in individual situations.

To raise awareness regarding security, we hold information events, workshops and exercises at our sites which aim to teach employees the correct way to handle threat situations in the online sphere. This involves our working closely with security authorities such as the police and the intelligence service. We prepare for material crisis scenarios such as network failures, data misuse and bomb threats with concrete instructions.

We involve both our internal and external stakeholders in a variety of activities in the areas of data protection and information security. For example, we conduct dialogue via our data protection forum to which relevant internal stakeholders belong and discussion takes place on a continuous basis with external partners and the applicable authorities. These include Germany's Federal Network Agency (BNetzA), the Federal Office for Information Security (BSI) and the Federal Commissioner for Data Protection and Freedom of Information (BfDI). The Telefónica Deutschland Group is also represented in global initiatives surrounding data protection, such as the Global Network Initiative, via the Telefónica, S.A. Group. We are additionally members of various professional associations such as Bitkom, the German Association for Data Protection and Data Security (GDD), the Information Security Forum and the Bavarian Association for Business Security (BVSW). In view of the increasing harmonisation of data protection regulations in Europe, we also significantly ramped up networking within the company and professional dialogue with those responsible for data protection in Spain and the UK. This is borne out first and foremost by the Telefónica Group's newly introduced half-yearly European data protection conferences, at which all the relevant legal issues are discussed and practical experience is exchanged.

## Customer-friendly data protection innovations

We want to make the digital lives of our mobile communication customers in Germany even simpler and more secure in the future. One of the most important services focusing on data security is Mobile Connect. This solution developed by the Telefónica Deutschland Group together with Deutsche Telekom and Vodafone Deutschland allows Internet services to be logged into securely without the need to enter a username or password. The customers can use their personal mobile phone number to clearly identify themselves for purchases when shopping online as well as logging into Internet portals.

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# Protection of children and young people in the digital world

## BASIC PRINCIPLE

### Responsibility for young media users

These days, children are asking for a smartphone or a tablet at an early age – most young people can no longer imagine living without a mobile device. The Telefónica Deutschland Group therefore considers it important to specifically take responsibility here. We want to enable young people to use digital media in a competent and safe manner and play a part in protecting them from problematic media content. At the same time, our top priority is to comply with the stringent youth media protection requirements as dictated by the law in Germany.

## PROCESSES & MANAGEMENT

### Central role for the Youth Protection Officer

Via contractual provisions, the Telefónica Deutschland Group ensures that youth protection is integrated into the product and offering design of our business partners. For more than 15 years, the Telefónica Deutschland Group has had an internal Youth Protection Officer, who is appointed in accordance with Section 7 (1) of Germany's Interstate Treaty on the Protection of Minors in the Media (JMStV) and reports directly to the Chief Officer for Legal and Corporate Affairs. The Youth Protection Officer provides advice and support, so much so that we can be sure products and applications meet the strict legal requirements. We have also been committed to the voluntary self-regulation of mobile communications media protection for young people since 2007. At the same

time, our youth protection strategy includes technical protection measures and transparent pricing. This, too, helps young people to develop media skills.

## STRATEGIC PRIORITIES

### Further expanding youth media protection

The Telefónica Deutschland Group actively contributes to political and public debate regarding youth media protection in the form of discussion events held at the BASECAMP. We are also involved in relevant interest groups such as the German Association for Voluntary Self-Regulation of Digital Media Service Providers (FSM). We are members of the association's board and are committed to ensuring that practical media protection for the younger generation in Germany always takes into account new trends in children's and young people's user behaviour.

Schools play a decisive role in developing young people's media skills. That is why we participate in the "Medien in die Schule" (Media at School) project and support the development of teaching materials that can be freely used and adapted by teachers. The Telefónica Deutschland Group also combats cyber-violence in the form of hate speech and cyberbullying by organising workshops for schoolchildren. The Telefónica Deutschland Group additionally initiated the #LOVEMOB campaign through its core brand O<sub>2</sub> with the support of some big names, to help young people affected by digital attacks in social media. More on this topic and on the related initiatives can be found in [chapter 4.2](#).

We want to carefully introduce children in particular to using online offerings and social media. We therefore provide parents and children with a great deal of information about using mobile phones, smartphones and mobile Internet responsibly with our Internet Guide for Kids and the Mobile Phone Guide for Children and Parents. The Telefónica Deutschland Group developed both of these publications together with the German Children's Fund. They are available as a brochure and online in German and in Turkish.

With our mobile safety solution O<sub>2</sub> Protect, we offer our customers and their children effective protection from digital risks. Parents can activate individual protection mechanisms via the content filter, Web protection and program blocking functions. Our customers can also secure their Android smartphones using O<sub>2</sub> Protect Mobile. The all-round protection package O<sub>2</sub> Protect Complete guarantees online protection for up to five devices.

With the Kidomi app, we offer children and adolescents under the age of twelve a wide variety of educationally valuable games, books and videos. Carefully selected by parents and teachers, the content guarantees age-appropriate entertainment for children – with no advertising and all in one place. The parental control function and a PIN give parents complete control over their offspring's media usage at all times.

# Environmental and Climate Protection

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## Our ambition

We harness the opportunities provided by digitalisation to cut raw-material and energy consumption. By 2020 we aim to have reduced our direct and indirect CO<sub>2</sub> emissions by 11% compared with 2015.

## Target attainment



# Established environmental management for ambitious climate targets

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### BASIC PRINCIPLE

## Telefónica championing UN climate target

The Telefónica Deutschland Group's Spanish parent company has committed itself to joining the United Nations in combating climate change. The company is part of the Business Ambition for 1.5°C action alliance. The alliance members intend to use targeted measures and far-reaching changes to limit global warming to 1.5°C above the pre-industrial average. The Telefónica Group already gets 58% of the energy it uses around the world from renewable sources.

Back in 2016 the mobile communications industry was the first sector in the world to commit to supporting the United Nations' Sustainable Development Goals (SDGs). In the UN's 2030 Agenda, goal number 13 focuses on climate change. Since 2016 the industry has taken a variety of emergency measures to combat climate change and its impacts. This assumption of responsibility for the environment is also a basic principle of the Telefónica Deutschland Group.

### A joint commitment to climate protection

We specifically integrate our stakeholders into our activities. We emphasise this with our participation in the Germany-wide dialogue forum "Wirtschaft macht Klimaschutz" (Economy Does Climate Protection) and in the Umweltpakt Bayern (Bavarian Environmental Pact). A further format is the Munich Business Climate Pact. Here, we regularly and intensively exchange information with other large-scale enterprises and medium-sized businesses based in Munich in order to

coordinate our procedures and influence politics both at the city level and nationwide in a way that serves the objective of climate protection.

### Focus on energy efficiency and CO<sub>2</sub> reduction

The Telefónica Deutschland Group is reducing the environmental impacts of its business activities in a targeted manner as a way of making a contribution to climate protection. Energy consumption and the accompanying greenhouse gas emissions constitute the material impacts that our business activities have on the environment. We intend to reduce these with clear goals. Network technology constitutes the largest proportion of electricity consumption at 96%. In this area, the energy reduction goals represent a major challenge in view of the Telefónica Deutschland Group's programme of network expansion (incl. 5G).

We rely on different elements to save energy and reduce greenhouse gas emissions: we invest in energy-efficient technology, use renewable energies and promote low-pollutant mobility, and we are increasingly offering our customers sustainable products and services. By achieving the targets, we will not only improve our own environmental footprint, but also our business figures: increasing energy efficiency in our operating business activities (opex) is set to lead to savings of EUR 15 m by 2020 compared with 2016.

We are moreover working intensively on in our own processes using natural resources as sparingly as possible and producing as little waste as possible. Recording and evaluating the relevant waste volumes is being supported with the introduction of the waste

management system GreTel, which has been specially developed based on the Telefónica Deutschland Group's needs. The Group's small volumes of hazardous waste in addition to electronic waste are seen as immaterial, but are nonetheless recorded by our environmental management system in accordance with ISO 14001 and are passed on for disposal or recycling in line with legal requirements. Our water consumption is likewise deemed immaterial as it only occurs in our offices and shops to an extent which is usual for a service company.

### PROCESSES & MANAGEMENT

## Management systems anchored in the company

Our binding company-wide environmental policy serves as the basis for all activities and is further supported by sustainable energy management guidelines. These are both aimed at our business processes in the areas of the network, office spaces, mobility, responsible procurement and our product and services portfolio with the main emphasis on sustainable innovations. Our environmental policy is established in the environmental guidelines in accordance with ISO 14001. This particularly seeks to promote the identification of and compliance with all relevant laws, norms, standards and other binding obligations. Our environmental management system serves to prevent and minimise any negative effects that our activities and infrastructures may have on the environment and to keep on improving our environmental performance in general.



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**Climate protection: energy consumption**

We have established our own energy guidelines in the company in accordance with ISO 50001. These are based on our environmental management system and specify its principles in the area of energy. Our energy management system including offices and shops was recertified in accordance with ISO 50001 in 2019. The Telefónica Deutschland Group's offices have now been certified in accordance with the environmental management standard ISO 14001 and the quality management standard ISO 9001 since 2004. Our shops' environmental management is likewise based on the ISO 14001 standard, and application of this is verified by means of internal rather than external audits. In order to manage these processes, we have appointed internal energy and environmental management officers, and we have set up both an environmental committee and an energy committee. Environmental issues and targets as well as all measures are subject to an annual management review.

We aim to ensure improvement in our company's performance, products and services from an environmental point of view, primarily by using a systematic performance evaluation on the basis of the defined targets in the Responsible Business Plan 2020. One of our climate protection targets is to reduce direct and indirect carbon emissions by 11% by 2020 (base year: 2015).

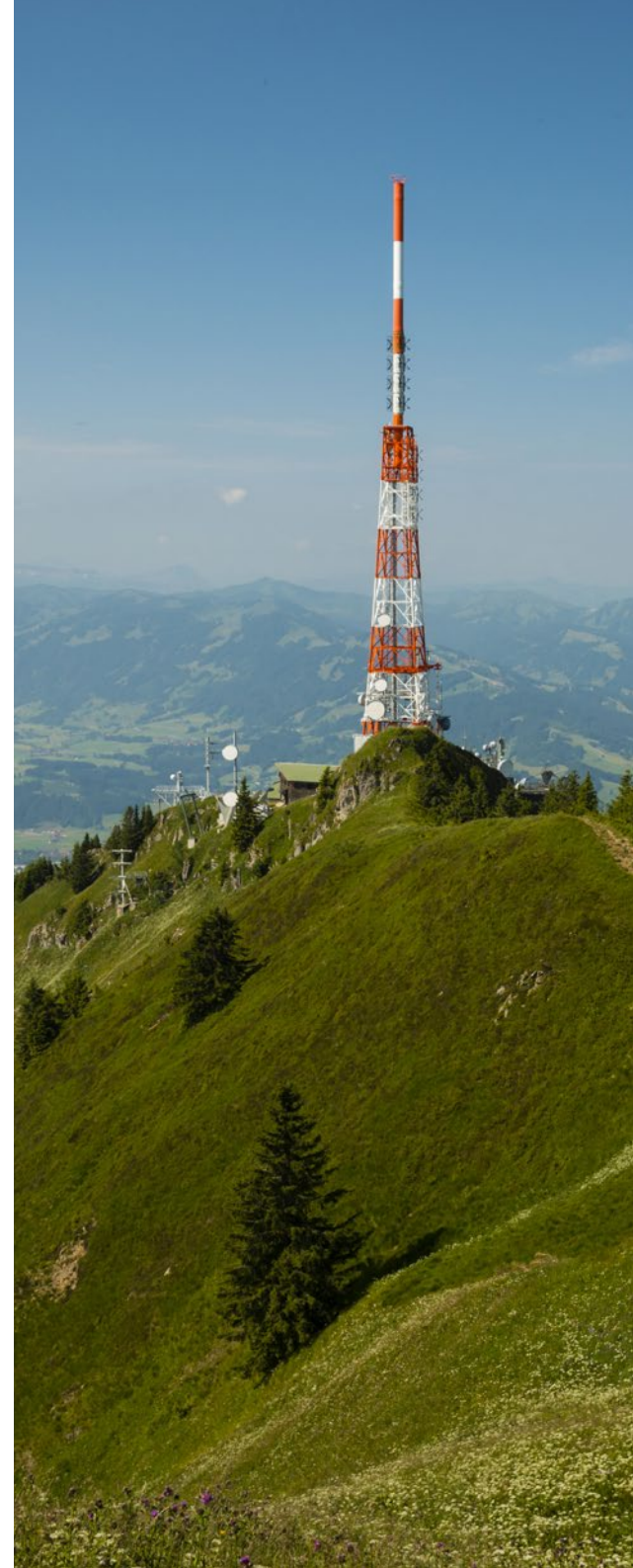
Another of our targets is to reduce energy consumption per data volume (GWh/PB) by 40% by 2020 (base year: 2015, 0.41 GWh/PB). We already managed to achieve the target in the previous year with a level of 46%; in 2019 energy consumption per data volume totalled 0.17 GWh/PB. We were therefore able to further reduce this figure by using new and energy-efficient technologies. We will endeavour to maintain this level in future in spite of our network expansion and the rising data volumes.

The proportion of renewable energies in relation to total electricity consumption increased further to 84% in 2019.

Regarding our company cars, average fleet emissions are to be reduced to 95 g CO<sub>2</sub>/km for company vehicles newly registered from 2020. We achieved our target of reducing the carbon emissions caused by business travel by 10% by 2018 in comparison to the base year 2015 with a figure of 12% by that year. We achieved a further reduction of 20% in 2019.

| <b>CLIMATE PROTECTION:<br/>ENERGY CONSUMPTION</b>                         |        | <b>UNIT</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|---|--------|-------------|-------------|-------------|-------------|
| Energy intensity: total energy consumption per data volume                | GWh/PB | 0.25        | 0.22        | 0.17        |             |
| Proportion of total electricity consumption from renewable energy sources | %      | 71          | 82          | 84          |             |
| Proportion of green electricity in own procured and controlled energy     | %      | 100         | 100         | 100         |             |

Management approach: Materials (103-2; 103-3); Energy (103-2; 103-3); Emissions (103-2; 103-3); Environmental compliance (103-2; 103-3); GRI 102-11; 302-3; 308-2





# Energy & CO<sub>2</sub> Reduction

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## Commitment

We will reduce our energy consumption per data volume by 40% by 2020 compared with 2015 and annually purchase from green electricity sources 100% of the energy we procure and control ourselves.

## Our achievements

We lowered energy consumption per data volume by 56.1% compared with 2015 and saved over 250 GWh in the network area. We continue to increase building energy efficiency and we are simultaneously reducing CO<sub>2</sub> in the fleet and in business travel.

## Target attainment



## Focused SDGs

We are supporting the energy transition with innovative technologies and the expansion of smart digital telecommunications networks. We also aim to make our contribution to climate protection in our business activities by purchasing green electricity and with clear efficiency increases.



# Clear focus on energy & CO<sub>2</sub> reduction

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### STRATEGIC PRIORITIES

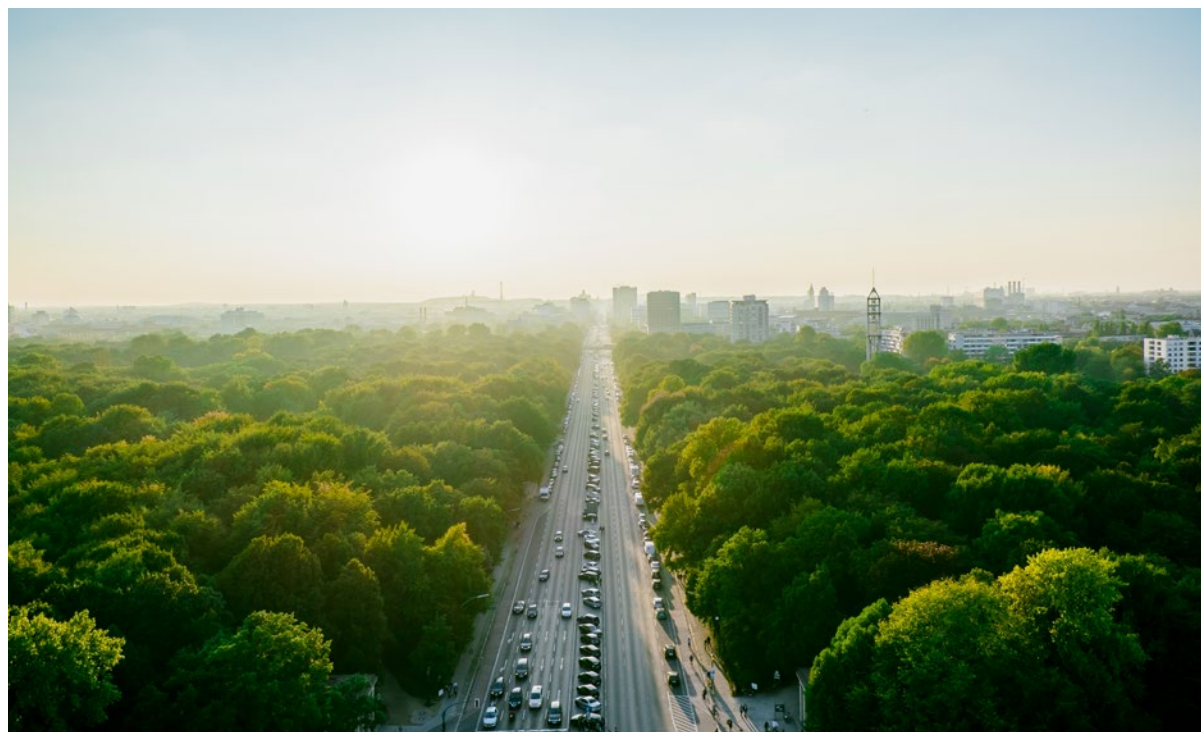
## Targeted improvements in energy and resource efficiency

The Telefónica Deutschland Group is committed to the promotion of a low-carbon economy. We are continually improving our energy efficiency by switching to energy-saving components throughout the company. This enables us to make an active contribution to the reduction of greenhouse gas emissions. We are also focusing on natural resources being used efficiently and we apply environmental criteria to our procurement processes in order to reduce our ecological footprint further. In order to promote the use of renewable energies, we already procure 100% green electricity where we are in a position to do this. Another focus is on developing products and services that make sustainable behaviour easier for our customers. In 2019, for example, we introduced the new half-size SIM card carrier format in our shops and when issuing cards to new O<sub>2</sub> postpaid customers. The new SIM card carrier is only half the size and half the weight of the previous bank card format, resulting in a reduction in plastic of almost 3.4 t for around 1.7 million half-size SIM cards in 2019. In addition to O<sub>2</sub>, other own brands are participating in this initiative.

In the course of the merger of the Telefónica Deutschland Group and the E-Plus Group, we implemented comprehensive measures aimed at environmentally friendly network and office location consolidation. In the network area, progress was moreover made on numerous energy efficiency measures, which we intend to implement by 2020 at the latest. These primarily concern modernisation of the 2G

and 3G networks, which we had almost completed by the end of the reporting year. By the end of 2019 we had made a total saving of 6.82 GWh (compared with 2016). Within the framework of network consolidation through deactivation and dismantling of around 14,000 sites in total, which had almost been completed by the end of 2018, we achieved savings of 196 GWh between 2016 and 2018. Delays in dismantling were due to the fact that the locations intended for this are now partly to serve the establishment of the 5G network. The consolidation of the network is managed by measuring the progress of the 2G/3G modernisation project, which we report on monthly,

We expect to see a significant increase in total energy consumption following the switch to the 5G standard. We continue, however, to systematically reduce energy consumption per data volume by replacing outdated mobile communications technology with highly efficient technology. Energy efficiency is also being boosted by our using the existing and strengthened LTE infrastructure for expansion with the addition of 5G technology over the next few years. The performance indicator we have selected will continue to allow us to optimally measure and document our progress in the area of energy efficiency in the future.



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Over the next three years, the Telefónica Deutschland Group intends to equip nearly all of its mobile communications sites with smart meters for the electronic logging of electricity consumption. It is planned for 25,000 locations to be equipped at which it is possible to access the meters. This technology delivers maximum energy consumption data transparency and offers a variety of starting points for cost-conscious and environmentally friendly energy management. These include, for example, identifying consumption anomalies as an indication of imminent outage of system components and the predictive maintenance. We achieved further savings in 2019 through the deactivation of the DSL main distribution frames. In relation to the consumption value of 54 GWh recorded in 2015, it was possible to eliminate the full 54 GWh following the optimisation measure being brought to a close in 2019.

### Making company mobility low-emission

To achieve our targets in the area of mobility, we use our travel guidelines to promote the joint use of company cars as well as switching to the train. For example, we have made rail journeys more appealing to staff by authorising first-class travel. With regard to travel activities, we have established detailed monitoring based on the data provided by the travel agency and the mobility service provider in order to manage the fleet of company cars. In terms of the kilometres travelled, rail travel increased by 22% year-on-year in 2019, while the use of flights as calculated on the basis of kilometres flown fell by 19%.

In order to attain our target of reducing the average carbon emissions of company vehicles registered from 2020 to 95 g/km, we are continually tightening the bonus-malus system for selecting new company vehicles in order to give our employees additional incentives to behave responsibly. There were initial

discussions regarding the deployment of an electro-mobility charging infrastructure. The carbon emissions of the company fleet increased by 6.1% in 2019 compared with 2018.

### Varied efficiency measures in buildings and processes

In the energy and climate areas, too, we act in line with the global business objectives of the Telefónica, S.A. Group. We actively support its targets of reducing electricity consumption per data volume by 85% by 2025 and greenhouse gas emissions (Scopes 1 and 2, both compared with 2015) by 50% by 2025 and by 70% by 2030.

In the supply chain, we have identified material impacts with regard to greenhouse gas emissions and energy consumption as well as water scarcity and air pollution. We support the Telefónica, S.A. Group's target of reducing the Group-wide Scope 3 greenhouse gas emissions per purchased euro in the supply chain by 30% by 2025 (compared with 2015) and want to make an active contribution here.

That is why the Telefónica Deutschland Group is working specifically on making the energy supply of its own operational processes as climate-friendly and efficient as possible. Thus, an important focus here is reducing the ecological footprint of our offices and shops. This is why, for instance, we left the old building on Georg-Brauchle-Ring in Munich. Since June 2018 now, all Munich employees have been working together at the headquarters in the O<sub>2</sub> Tower. We have implemented a modern concept of workspace sharing via which we can also use the available office space more energy-efficiently. In addition, lighting control is partly automated via the building services management system in order to avoid unnecessary energy consumption.

We are also providing for more energy efficiency in facility management at our Düsseldorf premises: the data centre there is supplied with energy from two combined heat and power plants, meaning the site is making an effective contribution to improving our energy balance and climate footprint. By mid-2019 we had reduced the space utilised at the Düsseldorf site by a third, thereby enabling us to save energy.

### Energy and resource efficiency at Telefónica's Berlin site

When it comes to conserving resources, we also look in particular at the energy efficiency of our own processes. For example, we equipped a central site with the latest digital building management system technology in 2019. Important technology for the company's core network is in use at this hub in the south of Berlin. This technology serves as the backbone of the mobile communications networks, connects many of the sites around Germany and transports the user data of the many millions of customers.

The modernisation involved all areas being planned completely anew, from energy supply and air conditioning to the concept for general and fire safety. Potential network failures continue to be reliably caught by the uninterruptible power supply with the aid of an emergency standby power system in combination with a battery buffer. In addition, cutting-edge IoT technology based on measurement sensors continuously supplies important data which is used to generate consumption forecasts and identify optimisation potential. Together with reduced energy consumption (up to 25%/month), the intelligent energy consumption concept is improving our carbon footprint. Eco-friendly air conditioning technology that allows for direct recooling via the external air has a large part to play in this.



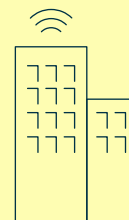
# Modern network site

## saving energy and conserving the climate

Telefónica Deutschland digitalising a network site with state-of-the-art building management system technology

*"Together with reduced energy consumption (up to 25 %/month), the intelligent energy consumption concept is improving our carbon footprint."*

Yelamate Mallikarjuna Rao, Chief Operating Officer of Telefónica Deutschland Holding AG



Digitalisation – a climate killer or a climate saver? We are demonstrating how digitalisation can be put to beneficial use for the energy and climate transition. For example, in a groundbreaking pilot project, we equipped and digitalised the central network site of our mobile communications infrastructure with state-of-the-art building management system technology. The Telefónica Deutschland Group's site to the south of Berlin houses important technology for the company's core network, also known as the backbone. It transports millions of pieces of customer data and serves as the mainstay of the mobile communications networks, connecting many different regional sites throughout Germany.

Everything from energy supply and air conditioning to the general and fire safety equipment was fundamentally modernised. What was unusual is that all the conversion work was carried out during ongoing operations. Potential network failures will henceforth be reliably caught by the uninterruptible power supply with the aid of an emergency standby power system in combination with a battery buffer. In addition, cutting-edge IoT technology based on measuring sensors continuously supplies important site data. This is used to generate consumption forecasts and guarantee predictive maintenance of the technical systems.

With this modernisation, we are ensuring operation free from interference, including in view of ongoing network expansion with LTE and 5G. This will create future viability. With the structural further development of our first backbone site, we have taken a major step in the direction of the further digitalisation and transformation of our technology sites. We are targeting an energy saving of up to 25 %/month in Berlin. After only a few months of operation, we are seeing not only falling costs, but also already significantly higher energy efficiency coupled with a considerable reduction in the carbon footprint.



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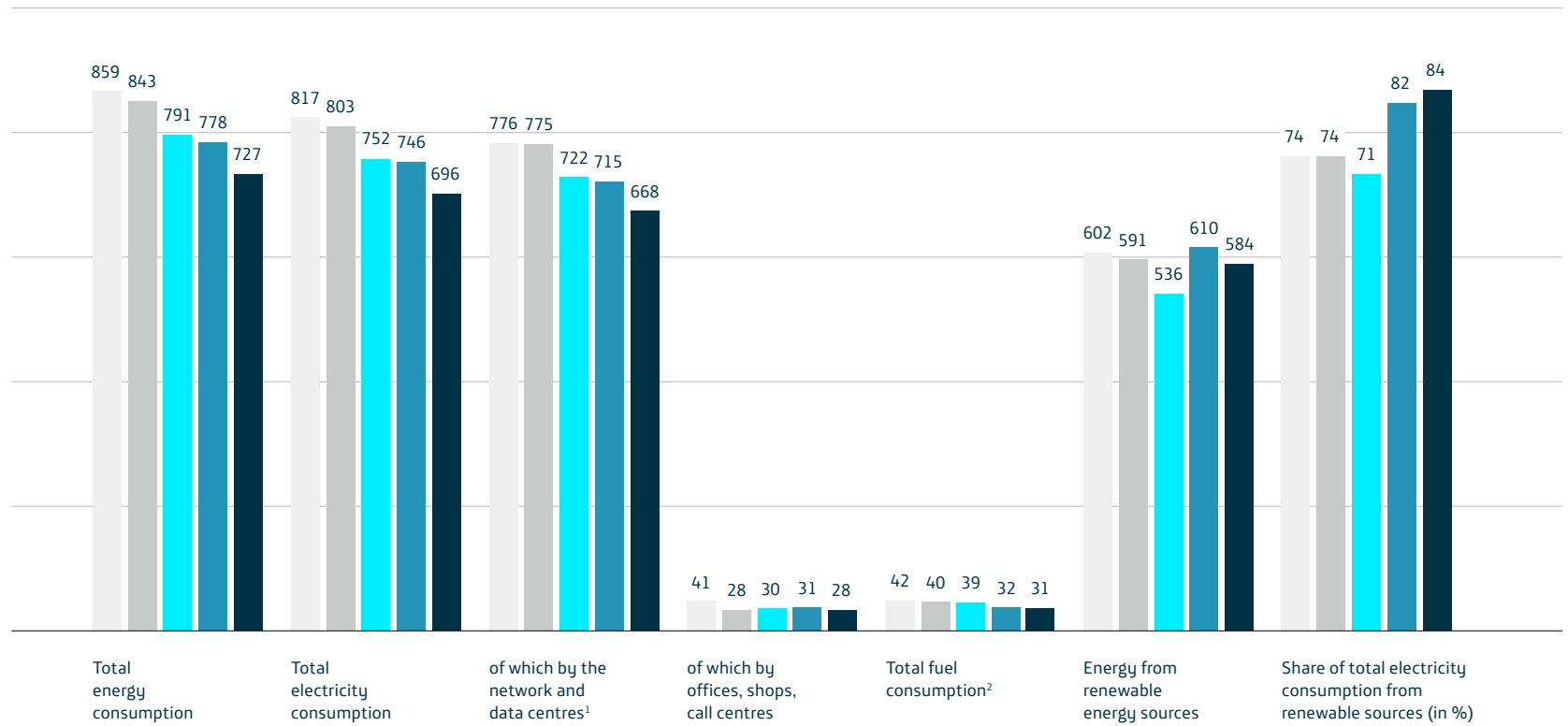
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**ENERGY CONSUMPTION, 2015–2019**  
IN GWh

2015 2016 2017 2018 2019



<sup>1</sup> Network electricity consumption equals the number of mobile telephony and fixed-line sites multiplied by an average electricity consumption figure per site. This was determined on the basis of historical consumption data.

<sup>2</sup> Fuel consumption (in the form of diesel, natural gas and district heating) comprises only the units provided via a direct contract between a supplier and the Telefónica Deutschland Group (72 % of data centres and office buildings, 4 % of call centres and 13 % of shops (by area in square metres)) and does not include those units that are managed via the lessor.

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**GREENHOUSE GAS EMISSIONS, 2015–2019**  
IN TONNES OF CO<sub>2</sub> EQUIVALENT (tCO<sub>2</sub>EQ<sup>2</sup>)

2015 2016 2017 2018 2019

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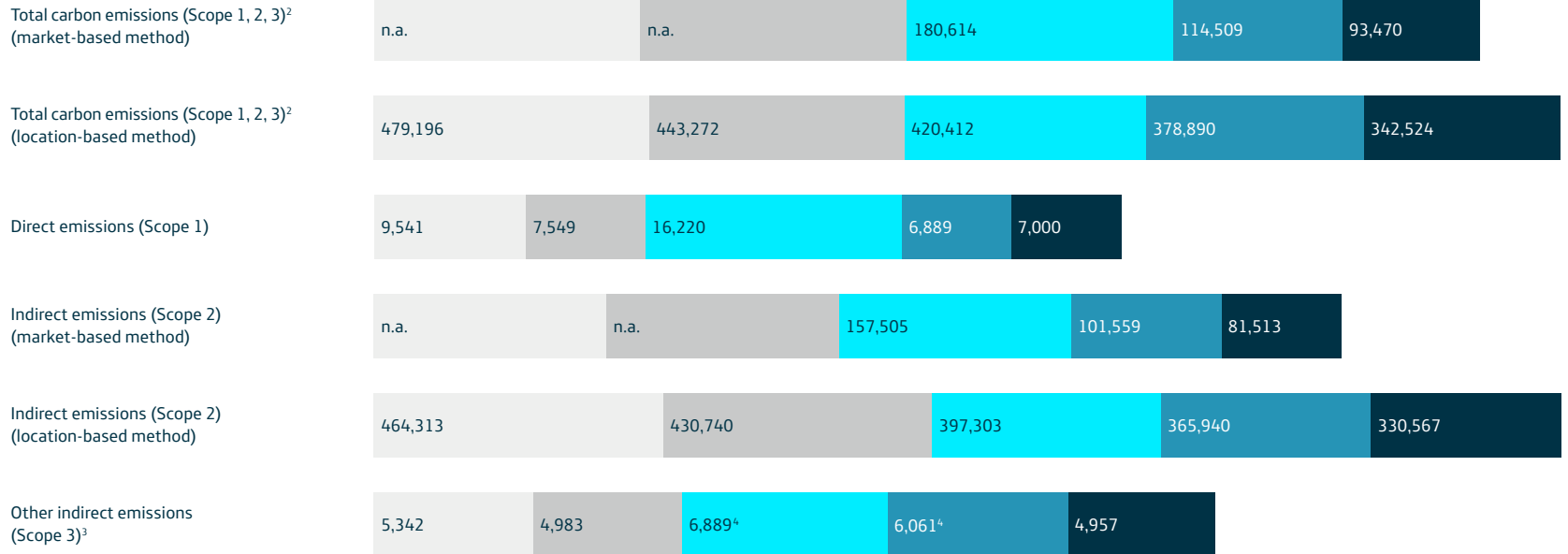
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<sup>1</sup> CO<sub>2</sub>eq = CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O

<sup>2</sup> Carbon emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and the ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption into carbon emissions, irrespective of the fact that 84 % (previous year: 82 %) came from renewable energy sources. The Telefónica Deutschland Group uses the electricity conversion factors (development of specific carbon emissions in the German electricity mix during the years 1990–2018) of the Umweltbundesamt (German Environment Agency) and with that 518 g CO<sub>2</sub> per kWh from 2018 as the basis for the calculation in the year under review, 2019. This has, however, not resulted in fundamental changes in trends.

<sup>3</sup> Other indirect emissions due to business travel (flights and rail travel)

<sup>4</sup> The emissions per km for flights and rail travel (Scope 3) for the years 2017 to 2019 were calculated with emission factors applied Group-wide (source: UK National Atmospheric Emissions Inventory [NAEI]). The values for 2017 and 2018 were accordingly subjected to retrospective adjustment. Moreover, the emissions for rail travel for 2017 to 2019 were included.



# Conservation of Resources

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## Commitment

In the years leading up to 2020 we will annually implement at least one relevant measure for protecting resources in our structures and processes.

## Our achievements

In our Data Debate, we discuss digitalisation's role as climate killer or climate saver. In 2019 we saved more than three tonnes of plastic with the half-size SIM card format and collected around 83,000 mobile phones with our recycling programme.

### Target attainment



## Focused SDGs

Our measures to protect resources such as the recycling of old devices or reducing the use of plastic should contribute to the spread of sustainable consumption and production patterns and promote long-term, environmentally aware, economic growth.



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# Significantly reducing resource consumption

## BASIC PRINCIPLE

### Focusing on saving resources and avoiding waste

Our environment and energy policies primarily focus on saving valuable resources and responsibly dealing with waste. To achieve this, we optimise our processes continuously and use digital solutions. The reduction of waste is something that the Telefónica Deutschland Group strives for across all processes. We consistently ensure that statutory environmental standards are observed when disposing of unavoidable waste.

## PROCESSES & MANAGEMENT

### Environmentally friendly recycling of valuable materials

We have almost completed the consolidation of the two networks of the Telefónica Deutschland Group and the E-Plus Group, which involved thousands of base stations being dismantled and modernised. Dismantling was also performed when a change in technology was effected or when sites were expanded. For the time being, sites that may be relevant in the future as 5G sites are not being dismantled. The valuable waste arising from the dismantling process is recycled by certified companies exclusively. The type of disposal for materials that arise such as metals and electronics is regulated by specific waste guidelines with defined processes.

Old hardware in our offices, call centres and data centres is continuously being replaced with models that are new, powerful and more energy-efficient. To further strengthen the principle of the circular economy here, we continued our cooperation with the charity Afb, which stands for Arbeit für Menschen mit Behinderung (Work for People with a Disability) in 2019. Afb processes disused laptops or monitors and offers them back to the market. Devices that are no longer marketable are disposed of expertly. The volume of hardware discarded in 2019 amounted to 36.6 t, of which close to 20 t could be reused following reconditioning.

## STRATEGIC PRIORITIES

### Continuously reducing the consumption of resources

Saving our natural resources is an important issue for us. Our digital service strategy also aims to gradually reduce the use of paper in customer service. We simplify customer dialogue via our digital services such as apps and assistants, which we continuously improve in order to provide customers with the information they require. We see paper consumption savings potential in particular in sending our customers their bills online via, for example, the My O<sub>2</sub> app. The proportion of online bills was 88.5% at the end of 2019. The target of increasing the proportion of online bills by 2%

compared with the basis value of 90.4% in 2015 has so far not been achieved. This is primarily due to the migration in 2019 of DSL customers to the total number used for the analysis of online bills, these having previously been recorded separately. The target of increasing the percentage of online bills and conserving resources by means of customer communication and the expansion of the above measures remains in place.

Only recycled paper with Blue Angel certification is used in our offices, call centres and shops. We enable our employees to save paper by promoting digital document administration.



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## Putting old mobile phones into the circular economy

We have been committed to recycling mobile phones for 17 years and, since 2015, have been working with the Nature and Biodiversity Conservation Union (NABU) and AfB as partners for the professional disposal of collected old mobile phones. Our mobile phone recycling programme allows consumers to dispose of their old devices responsibly. This sees the data on working mobile phones deleted via a certified process and the devices processed for remarketing, where possible, by AfB. In comparison with the production of a new mobile phone, this causes fewer emissions and requires less metals and energy. Devices that are no longer usable are destroyed mechanically and brought to smelting plants in Europe for resource recovery. The profits from the cooperation go directly to NABU and are contributed to NABU's insect protection fund.



We were able to collect 83,057 old mobile phones in the past year through our mobile phone recycling programme; this is significantly more than in the previous year (2018: 58,374). Of these, 81,727 old mobile phones were recycled. The Telefónica Deutschland Group donated a total of EUR 50,000 to NABU. The Telefónica Deutschland Group also collected another 1,251 used end devices outside the mobile phone recycling programme. Therefore, a total of 84,308 old mobile phones were accumulated in 2019.

O<sub>2</sub> mobile communication customers can discover what impact their mobile phone has on the environment and society using the Eco Index. The index provides a great deal of information on energy consumption, CO<sub>2</sub> emissions, disposal channels, social standards in production,



and raw materials of mobile communication devices. At the end of 2019 95% of the mobile phones we offer were covered by the Eco Index.

### Less plastic thanks to slim SIM card format

Another focus is on developing products and services that make sustainable behaviour easier for our customers. In 2019, for example, we introduced the new half-size SIM card carrier format in our shops and when issuing cards to new O<sub>2</sub> customers. The new SIM card carrier is only half the size and half the weight of the previous bank card format, resulting in a reduction

in plastic of almost 3.4 t for around 1.7 million half-size SIM cards in 2019. In addition to O<sub>2</sub>, other own brands are participating in this initiative.

We additionally introduced RECUP at our sites in Düsseldorf and Hamburg. This is a deposit system for to-go coffee cups which avoids waste disposal and conserves resources. Coffee lovers buy their coffee in a RECUP cup and pay a EUR 1 deposit as well as a price that is slightly lower for their coffee than if it were in a disposable cup. They can then return their empty RECUP cup at their company site or at any RECUP partner throughout Germany and get their deposit back. The cups are washed and put directly back into circulation.



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# Mobile communication and protection of health

BASIC PRINCIPLE

## Focusing on people's health

Protecting the health of our customers, people living near our operations, and our technicians is a high priority. This includes ensuring our mobile network base stations comply with the limits, which are checked by Germany's Federal Network Agency. In addition, we make certain the mobile phones that we sell comply with electromagnetic limits. Transparent information and advice are made available to our customers through our channels. The Telefónica Deutschland Group made a commitment to the German government regarding this back in 2001. The fulfilment of these requirements is reviewed continuously through external expert assessments. For example, the German Institute of Urban Affairs (Difu) has been conducting regular surveys and studies in cities and municipalities on the topic of mobile communications on behalf of Informationszentrum Mobilfunk (Information Centre for Mobile Communications [IZMF e. V.]) since 2002.

With the extensive expansion of the mobile communications networks and the upcoming introduction of the 5G standard, it is not only technology- and infrastructure-related issues which are being discussed a great deal. The same applies to concerns articulated by the public and in the media about possible increases in health risks caused by radio waves. Citizens see a need for action here too: only 22.5% of those who participated in a survey conducted by Germany's Federal Office for Radiation Protection (BfS) felt the official bodies provided adequate information about the effects of electromagnetic fields in connection with mobile communications.

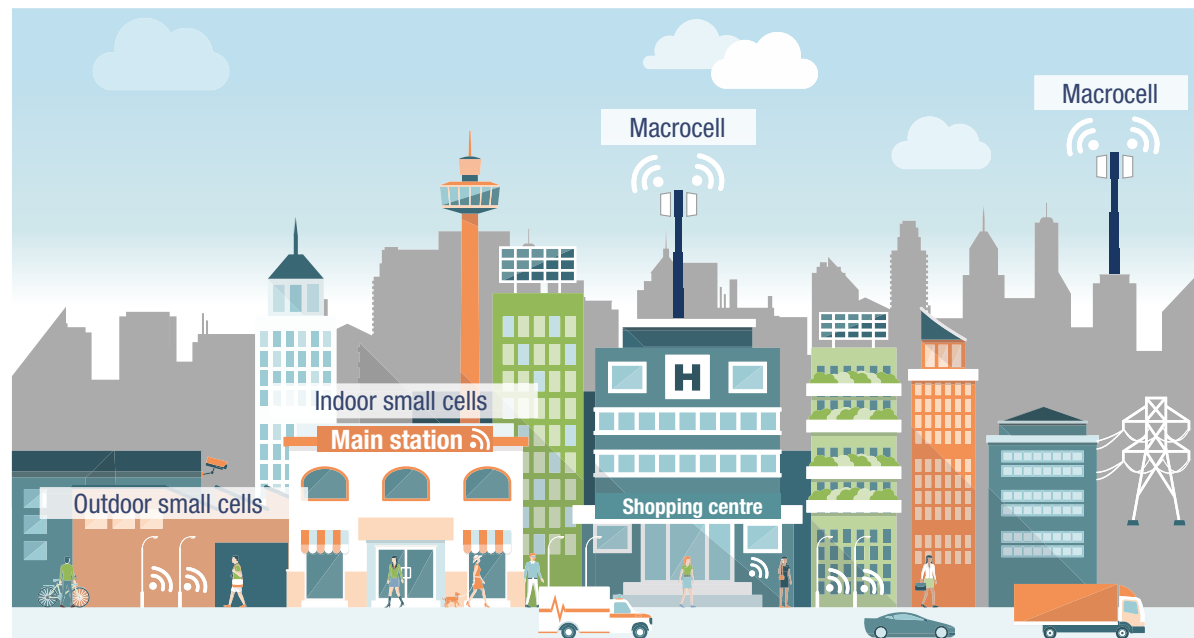
We consider it essential that the concerns of people in all regions are taken seriously and that we respond to these with targeted information in order to achieve the necessary level of objectivity in the debate and to have technological innovations accepted. As one of the leading mobile providers, we want to make a substantial contribution to this.

Primarily, the existing network of mobile communications locations is being used for expansion of the 5G network. There have been further developments in the 5G infrastructure in three areas: the additional use of a higher frequency spectrum (3.5 GHz and higher), the

use of so-called intelligent antennas (beamforming) and the expansion of small cells in heavily frequented places. Beamforming allows in particular for the more precise directing of a transmission signal to the user and less scattering of the transmission power, resulting in greater efficiency. Small cells are comparable to a Wi-Fi hotspot – because of their low transmission power, they do not even need site certification.

The 4G and 5G networks will be operated in tandem in the future, allowing for gradual expansion. Further development is based on existing innovations, some of which are already in use with LTE, so that there is

Source: according to [www.informationszentrum-mobilfunk.de](http://www.informationszentrum-mobilfunk.de) (translated)



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no technological break. Operation of the locations of the future 5G network is subject to the same requirements as for the existing mobile communications networks, in particular the limits as stipulated in the regulation on electromagnetic fields (26th Ordinance on the Implementation of the Federal Immission Control Act). According to the Federal Office for Radiation Protection, the current scientific findings regarding the effects of electromagnetic fields on people can generally also be applied to the 5G standard. It is therefore assumed that there would be no detrimental health effects if the statutory limits are adhered to.

### PROCESSES & MANAGEMENT

## Strict adherence to statutory requirements and limits

We strictly monitor the fulfilment of statutory requirements and limits when our networks are implemented, maintained or adapted to new technologies, and this is checked and certified by the relevant authorities. To verify compliance, teams continuously perform internal audits at the mobile communications locations serviced by our technicians and service providers. Monitoring these is the responsibility of an internal department.

### STRATEGIC PRIORITIES

## Transparent information for our stakeholders

The SAR value was defined in order to measure and evaluate any effects mobile phones may have on people. This value reflects the maximum power absorbed by the body during mobile communications use. The EU has set an upper limit of 2 W/kg when making phone calls, in accordance with the EN 50361 standard. The SAR values of mobile phones are mostly considerably below these limits, as their transmissions

are automatically regulated and reduced when necessary. Telefónica Deutschland Group customers can visit our shops or [www.telefonica.de](http://www.telefonica.de) to find out the precise SAR value of their mobile phone as well as generally find information on the subject of safeguarding health.

We closely integrate our stakeholders into all measures. The local authorities are above all important partners when we set up or expand our telecommunication infrastructure. We coordinate all measures closely with the towns and municipalities in which we intend to install technical facilities. As a result, we are fulfilling a commitment we made to the German government, an agreement reached with local authority associations and a legal arrangement in relation to the Federal Immission Control Act. The aim is for location decisions and planning to be effected in agreement with the municipalities wherever possible and for their concerns and interests to be broadly taken into account, including in the case of controversial locations. Municipalities can make their own location suggestions, for example, which are then realised if they are of the same technical and financial suitability. If planned locations are in the vicinity of nursery schools or schools, the alternatives are to be examined carefully and specific reasons are to be given for the location being the best solution. Following a positive location decision, we consult the municipalities regarding additional information measures for the population.

## Informationszentrum Mobilfunk as a central knowledge platform

We see educational work and information as an important part of our social responsibility towards customers, the public and municipalities. We have therefore continued and expanded our activities in the area of running the website [www.informationszentrum-mobilfunk.de](http://www.informationszentrum-mobilfunk.de). The information we provide there together with Deutsche Telekom focuses on setting up and expanding mobile communications networks based on societal consensus as well as consumer issues and health protection.

Anyone who is interested will find online brochures, videos, links, studies, reports, interviews with experts and news items on the website. The focal issues in 2019 were expansion of the mobile communications network including the impact of 5G on society, the potential for longer useful lives for smartphones in the interests of climate protection and information about health aspects. For example, we published an online brochure entitled "Medically relevant aspects of mobile communications" in conjunction with the Kinderumwelt advice centre for environmental medicine and allergy issues during childhood and Ilmenau University of Technology.

The purpose of this publication is to share basic environmental health knowledge regarding assessing the risks of high-frequency electromagnetic fields of mobile communications with doctors. It is designed to make it easier for health professionals to gain a comprehensive overview of the state of research and better identify the health problems that people describe in the general context of the individual environmental factors. This makes them even better equipped to offer people factual and scientifically grounded advice regarding their problems.

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# Materiality according to GRI

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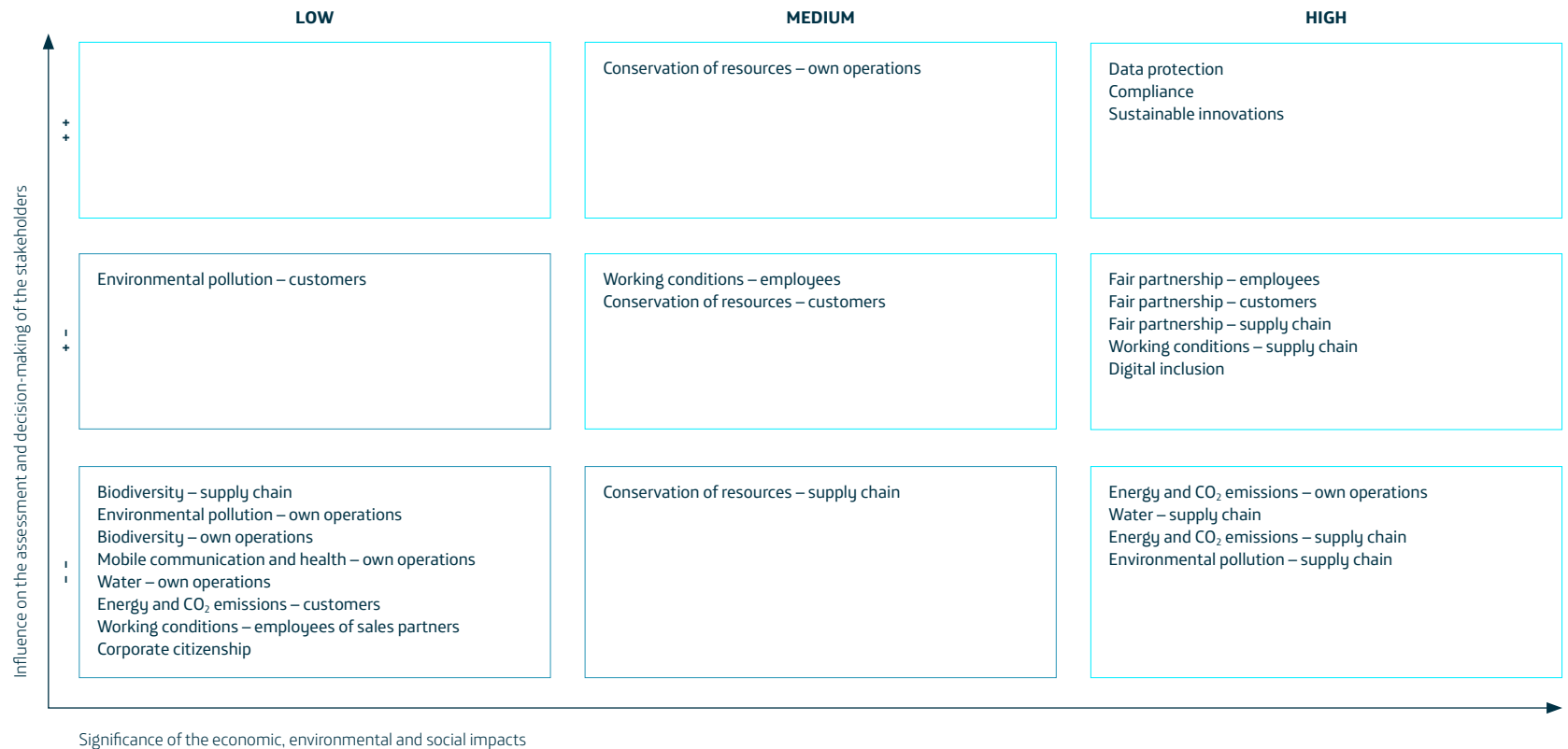
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The Telefónica Deutschland Group derives the CR focal areas from a continuous CR strategy process that deliberates on stakeholder expectations as well as impacts on society and business relevance. For reporting in accordance with the GRI Standards, the stakeholders' perspective and our societal and environmental impacts (process of identification described

in [chapter 6.1](#)) are particularly relevant. The resulting GRI materiality matrix taking this combined approach into account is shown below. The materiality matrix contains the results of a strategic process concerning the assessment of material CR topics that has been ongoing since 2015. A detailed description of this process can be found in [chapter 2.2](#).

**Legend:** a + + constitutes high significance for both stakeholder groups, a - - marks low significance on assessment and decision-making and a - + signals a different evaluation by internal and external stakeholders. The topics material to the Telefónica Deutschland Group have a light blue border in the graphic below.



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CLASSIFICATION ACCORDING TO GRI

| CR FOCUS AREA   | FOCUS/BOUNDARIES  | GRI STANDARDS   |
|---|---|---|
| Supply chain<br> | <ul style="list-style-type: none"> <li>Ensuring fair and respectful cooperation with companies that manufacture products or provide services for Telefónica (suppliers)</li> <li>Improving working conditions in companies that manufacture products or provide services for Telefónica (suppliers)</li> <li>Reduction of carbon emissions in companies that manufacture products or provide services for Telefónica (suppliers)</li> <li>Reduction of water consumption in companies that manufacture products or provide services for Telefónica (suppliers)</li> </ul> | 204 – Procurement practices<br>308 – Supplier environmental assessment<br>407 – Freedom of association and collective bargaining<br>408 – Child labor<br>409 – Forced or compulsory labor<br>414 – Supplier social assessment   |
| Employer<br>     | <ul style="list-style-type: none"> <li>Guaranteeing fair and respectful treatment of Telefónica employees</li> <li>Improving working conditions for Telefónica employees</li> </ul>   | 401 – Employment<br>402 – Labor/management relations<br>403 – Occupational health and safety<br>404 – Training and education<br>405 – Diversity and equal opportunity<br>412 – Human rights assessment  |
| Customers<br>    | Guaranteeing fair and respectful treatment of Telefónica customers  | 417 – Marketing and labeling  |
| Compliance<br>   | Ensuring that Telefónica's employees and partners comply with all laws and regulations when dealing with each other and with customers  | 205 – Anti-corruption<br>206 – Anti-competitive behavior<br>305 – Environmental compliance<br>406 – Non-discrimination<br>407 – Freedom of association and collective bargaining<br>408 – Child labor<br>409 – Forced or compulsory labor<br>412 – Human rights assessment<br>415 – Public policy<br>419 – Socioeconomic compliance |

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CLASSIFICATION ACCORDING TO GRI

| CR FOCUS AREA   | FOCUS/BOUNDARIES   | GRI STANDARDS  |
|---|--|--|
| Digital inclusion<br>                  | Ensuring physical access to digital technology and promoting digital capabilities and media literacy for relevant target groups                      | 203 – Indirect economic impacts<br>413 – Local communities<br>416 – Customer health and safety |
| Sustainable innovations<br>            | Developing digital technologies and offerings that make the lives of Telefónica customers easier, safer, healthier and more environmentally friendly | 201 – Economic performance<br>203 – Indirect economic impacts                                  |
| Data protection<br>                    | Ensuring data protection, so that sensitive data of Telefónica (e.g. customer data) is not purloined, misused or accessed                            | 416 – Customer health and safety<br>417 – Marketing and labeling<br>418 – Customer privacy     |
| Energy & CO <sub>2</sub> reduction<br> | Reduction of CO <sub>2</sub> emissions at Telefónica sites   | 302 – Energy<br>305 – Emissions  |
| Conservation of resources<br>          | Reduction of consumption of scarce resources at Telefónica sites and by Telefónica customers through product adaptation, recycling and reuse         | 301 – Materials  |

# Upholding human rights and containing risks

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The Telefónica Deutschland Group is committed to respecting and protecting human rights all along the value chain. We have made a commitment in our Business Principles to observe the United Nations' Universal Declaration of Human Rights and the declarations of the International Labour Organization (ILO) and are committed to complying with the UN Guiding Principles on Business and Human Rights. In addition to our Business Principles, our [Supply Chain Sustainability Policy](#), our [Human Rights Commitment](#) and the [Digital Manifesto](#), we have set out our commitment in our Declaration of Principles on Respecting Human Rights. We additionally drew up a [Human Rights Policy](#) in October 2019 that lays down minimum human rights requirements.

We reject all forms of child or forced labour and respect the right of employees to belong to a trade union organisation. We stand up for equal opportunities and treating all people as equals irrespective of skin colour, nationality, ethnic origin, religion, gender or sexual orientation. We use our integrated [compliance management system](#)

to uphold these principles. We additionally created a cross-departmental steering committee within the Telefónica Deutschland Group in 2019 which maintains regular dialogue with the Management Board on the topic of human rights. More information on this human rights committee can be found in the [chapter "CR Management"](#). We also champion the protection of human rights in the [supply chain](#) together with our suppliers. When identifying material CR topics, we have also included human rights issues in the analysis and in our CR strategy.

## Grievance mechanisms established

The Telefónica Deutschland Group puts a reporting channel at its stakeholders' disposal that can be used for complaints and whistle-blowing on human rights violations. This channel is open to everyone, regardless of the reporting individual's status or type of contractual or business relationship with the Telefónica

Deutschland Group or its associated companies. No complaints were received in 2019. At the same time, the Telefónica Deutschland Group [ombudsman](#) can be contacted via a confidential helpline at all times. Messages are naturally treated in confidence and the responsible department in the company deals with them appropriately. Here, too, compliance with our [privacy policies](#) is a top priority.

## Identifying human rights risks

In order to prioritise human rights issues more precisely, the Telefónica Deutschland Group expanded its previous endeavours and human rights analyses back in 2018 with the aid of a new human rights risk analysis. This was oriented to the requirements of the five core elements of the National Action Plan for Business and Human Rights (NAP). We began this analysis by identifying nine human rights areas of action that could be of relevance to the Telefónica Deutschland Group on the basis of the above-mentioned international and human rights frameworks.

### THE TELEFÓNICA DEUTSCHLAND GROUP'S HUMAN RIGHTS AREAS OF ACTION

1. Prohibition of discrimination, the right to equal opportunities and treatment
2. Prohibition of slavery and forced labour
3. Prohibition of child labour, protection of minors
4. Freedom of thought, speech and religion
5. Freedom of assembly and association
6. Right to liberty and self-determination
7. Right to work, fair pay, safe working conditions and social security
8. Right to health, well-being and secure work
9. Right to education, further development and training

### Human Rights

#### CONTACT

Reporting channel for complaints and whistle-blowing:  
[humanrights-de@telefonica.com](mailto:humanrights-de@telefonica.com)





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## Analysis of human rights topics for product group mobile phones and accessories

As a first step, we have identified the product group mobile phones and mobile phone accessories for the human rights risk analysis. This product group is of especially high relevance to us as it represents a large share of our total purchasing volume. Moreover, particularly the branched value chains of mobile phones and mobile phone accessories are potentially affected by human rights violations. Reports on the

use of what are known as conflict minerals (such as tin, coltan and gold) are increasing and the production conditions have been criticised many times. We first identified the individual steps of the value chain for mobile phones and mobile phone accessories and pooled them in clusters – from mining of raw materials to manufacturing and disposal. On this basis, we determined the most important countries along the value chain for mobile phones and established which risks that potentially come under the heading of human rights could occur in these countries.

We prioritised the potential risks on the basis of the value chain for the mobility product group. The risks are evaluated on the basis of their connection to the company and their gravity, with the latter being determined according to the extent, scope and reversibility of the possible human rights violation. A risk's connection to the company is evaluated by taking into account contractual and business relations with suppliers and the complexity of the company's value chain. The risks identified in this way were then put into a so-called heat map that shows the prioritised human rights risks along the Telefónica Deutschland Group's value chain for the mobility product group (see human rights diagram on page 47).

## Building up risk prevention and management capacities

We used this as the basis for determining the extent to which our existing management approaches cover these risks. At the same time, we want to examine how we can reduce these risks through targeted measures and adjust our management approaches. We intend to monitor and review both existing and new measures regularly regarding their effectiveness. We see our commitment to upholding human rights and the performance of appropriate risk analyses for the purposes of the NAP as an ongoing process that has to be continuously adjusted and developed. We plan to conduct another risk analysis in this context in 2020 for the services product group.



Management approach: Human rights assessment (103-2; 103-3); GRI 412-3

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# Financial climate risks

## Evaluating the risks and opportunities related to climate change

The recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) encourage companies to make uniform disclosures regarding climate-related financial risks. The aim of standardised and transparent reporting on climate risks is to reduce the risk of financial effects on the capital markets caused by climate change and to prepare businesses for the consequences of climate change.

We are aware that the impacts of climate change also entail risks and opportunities for our business model that we must take into account in our plans. We will therefore be gradually implementing the recommendations of the TCFD in order to integrate climate-related resilience into our corporate strategy. For this, we need informed analysis regarding the question as to how our business model can be even more efficiently aligned with the promotion of a low-carbon economy.

Within the Telefónica, S.A. Group, handling climate change has already been integrated into the areas of corporate governance, strategy, risks and goals. As a member of the Business Ambition for 1.5°C action alliance, the Group has made a commitment to help limit global warming to 1.5°C. With its Responsible Business Plan, the Telefónica Deutschland Group is pursuing the goal of also having a positive impact on its financial results on the basis of an improved environmental footprint. For example, greater energy efficiency helps reduce greenhouse gas emissions, which, in the long term, should reduce the impact that climate change will have on the company.

We are aware of the importance that the TCFD attaches to a scenario and risk analysis. We have only just begun with this, but we will be advancing with this topic in a structured way in order to be as prepared as we possibly can be in terms of strategy too for the consequences of climate change.

The recommendations of the TCFD are divided into the four areas of governance, strategy, risk management, and metrics & targets, which we report on below.

### 1. Governance

The Telefónica Deutschland Group has enshrined how it handles climate change in its Responsible Business Plan. It has also done this for its energy strategy. Both of these are developed further and evaluated in close consultation with the Management Board. Within the company, the CR department is assigned to the Management Board division Legal and Corporate Affairs and reports directly to the Management Board. The bonus arrangements in the remuneration of the Management Board and of the executives are subject to the achievement of sustainability goals such as the reduction of carbon emissions. At the Telefónica, S.A. Group, the climate and energy strategy are part of the global Responsible Business Plan, which is the responsibility of the Management Board.

### 2. Strategy

In 2015 the Telefónica Deutschland Group developed a holistic CR strategy that takes into account the business-strategic focus as well as the expectations of our stakeholders. "Environmental and climate protection" is a fixed area of action in our Responsible Business

Plan 2020. The way in which climate change is handled has also been incorporated into the Telefónica, S.A. Group's business strategy. In addition to the risks reported on below, we identify opportunities for our internal energy management as well as for corporate growth such as selling products that reduce the customers' carbon emissions.

We intend to perform scenario analyses in the future as the Telefónica Deutschland Group in accordance with the TCFD recommendations, to better prepare ourselves for the effects of climate change. We are also endeavouring to incorporate the management of climate-related opportunities and risks into our business model more strongly.

### 3. Risk management

Using a global risk management model, the Telefónica, S.A. Group analyses the potential risks and opportunities resulting from the forecast climate impacts. In the case of physical risks, we determine their probability and the impacts that both gradual climate changes and extreme climate events might have on our infrastructures and our operations. In the area of transition risks, the focus is on risks which may arise due to regulatory changes, technological innovations and market or reputational changes.

At the Telefónica, S.A. Group, the strategy includes adaptation measures relating to physical and transitional changes. The main measures include the Business Continuity Plan for Climate Disasters and the Energy Efficiency and Renewable Energy Plan.

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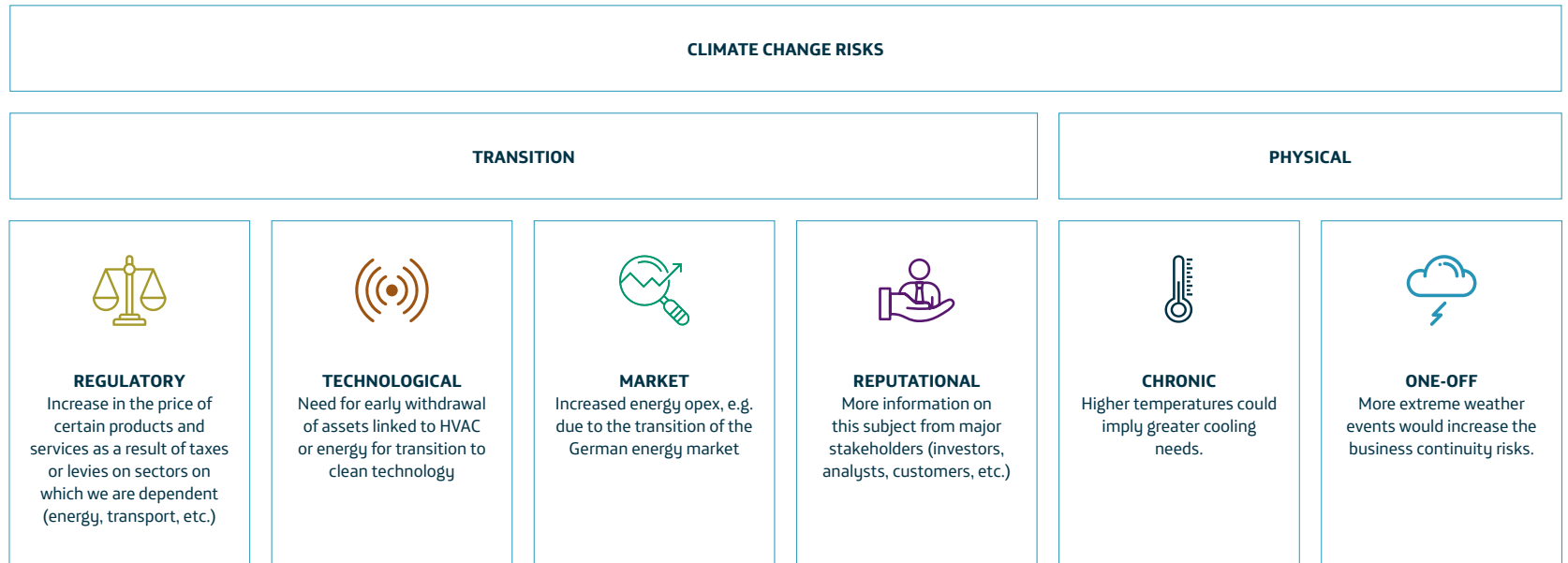
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The relevant departments report on their climate-related risks to the general risk management unit on a quarterly basis. The Telefónica Deutschland Group thus integrates these risks and carries out a net assessment with regard to the potential risks arising from non-financial topics. Based on the probability of occurrence already determined, a conservative approach was adopted in which risks were considered with a probability of occurrence deemed to be "likely" or "highly likely". We additionally report to the Telefónica, S.A. Group regarding climate-related risks as part of our Group-wide risk management.

**4. Metrics & targets**

Back in 2016 the Telefónica, S.A. Group set itself energy and climate targets for 2020 and 2030. These targets were revised in 2019, were compared with the results of the Paris Agreement and were confirmed with the Science Based Targets initiative. The Telefónica Deutschland Group set its own climate targets as part of its Responsible Business Plan 2020. The target of reducing carbon emissions by 11% by 2020 (compared with the base year 2015) has already been exceeded, with savings of 28.5% having been made by the end of 2019. The carbon emission figures (Scopes 1, 2 and 3) can be found in the [table of key figures](#).



# ESG ratings, rankings and financing

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We actively incorporate ESG (environmental, social and governance) criteria into our corporate decisions and use sustainability ratings to continuously analyse and evaluate our CR performance. We see this as offering huge potential for boosting our responsible conduct and for achieving sustainable corporate financing because systematic orientation towards ESG criteria is becoming increasingly important for capital market players. This means it is all the more important that we make our contribution to sustainable business practice transparent and that we make meaningful non-financial information available

for investment decisions. Telefónica Deutschland Holding AG has been listed in the DAX 50 ESG index, the new standard for German ESG investments, since early 2020.

In 2019 we were the first German telecommunications company to take out a sustainability-linked syndicated loan. The Telefónica Deutschland Group concluded this sustainability-linked loan in the amount of 750 million euros through its subsidiary Telefónica Germany GmbH & Co. OHG. Among other things, the interest margin is tied to the fulfilment of

ESG criteria in the areas of environment and climate protection, social commitment and corporate governance. An independent sustainability rating produced by Sustainalytics, a leading provider of sustainability assessments, is authoritative here.

The following table provides an overview of the most important sustainability ratings and rankings as well as indices in which Telefónica Deutschland Holding AG is listed.

Financial Times Stock Exchange (FTSE)  
FTSE4Good



Morgan Stanley Capital International (MSCI)  
MSCI ESG Indexes



oekom research AG  
oekom industry report



Sustainalytics  
STOXX Global ESG Leaders



Vigeo Eiris  
Vigeo Eiris rating



Bloomberg  
Gender-Equality Index (GEI)



CDP  
CDP A List (Through the Telefónica, S.A. Group)



Rating agency  
Indices/ranking

# SDG Declaration

The 17 global goals for sustainable development (Sustainable Development Goals, SDGs) were adopted by the United Nations in September 2015. With the implementation of the Responsible Business Plan 2020 the Telefónica Deutschland Group is actively supporting the attainment of the SDGs within the

framework of individual CR topics. We present how we are contributing to the individual SDGs with regard to each CR topic on the corresponding chapter introduction pages. On the level of the ambitions formulated in our Responsible Business Plan 2020 we have additionally selected three of the 17 SDGs to be particularly fo-

cused on within the scope of our CR strategy. Through our activities in these CR focus areas, we particularly intend to contribute to the targets of the respective SDGs outlined in the diagram below.

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### RESPONSIBLE BUSINESS

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
We intend to advance sustainable and responsible business together with our stakeholders and in the course of this report transparently on sustainability information (see also SDG 12, subgoal 12.6).

| COMPLIANCE                               | EMPLOYER                                 | SUPPLY CHAIN                                     | CUSTOMERS  |
|--|--|--|--|
| <b>8</b> DECENT WORK AND ECONOMIC GROWTH | <b>3</b> GOOD HEALTH AND WELL-BEING      | <b>8</b> DECENT WORK AND ECONOMIC GROWTH         | <b>3</b> GOOD HEALTH AND WELL-BEING              |
| <b>10</b> REDUCED INEQUALITIES           | <b>4</b> QUALITY EDUCATION               | <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION | <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE |
|  | <b>5</b> GENDER EQUALITY                 |  | <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION |
|  | <b>8</b> DECENT WORK AND ECONOMIC GROWTH |  |  |
|  | <b>10</b> REDUCED INEQUALITIES           |  |  |

### STRENGTHENING LIFE IN THE DIGITAL WORLD

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
We want to make information and communication technology accessible to all different offerings in our tariff and brand portfolios (see also SDG 9, subgoal 9.C).

| DIGITAL INCLUSION                            | SUSTAINABLE INNOVATIONS                          | DATA PROTECTION                                  |
|--|--|--|
| <b>4</b> QUALITY EDUCATION                   | <b>3</b> GOOD HEALTH AND WELL-BEING              | <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION |
| <b>10</b> REDUCED INEQUALITIES               | <b>8</b> DECENT WORK AND ECONOMIC GROWTH         | <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS |
| <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES | <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE |  |
|  | <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES     |  |
|  | <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION |  |
|  | <b>13</b> CLIMATE ACTION                         |  |

### ENVIRONMENTAL AND CLIMATE PROTECTION

**13 CLIMATE ACTION**  
We intend to make a positive contribution to climate protection by including climate protection measures in our strategies and planning – particularly through using the opportunities of digitalisation (see also SDG 13, subgoal 13.2).

| CONSERVATION OF RESOURCES                        | ENERGY & CO <sub>2</sub> REDUCTION               |
|--|--|
| <b>8</b> DECENT WORK AND ECONOMIC GROWTH         | <b>7</b> AFFORDABLE AND CLEAN ENERGY             |
| <b>10</b> REDUCED INEQUALITIES                   | <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE |
| <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES     | <b>13</b> CLIMATE ACTION                         |
| <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION |  |
| <b>14</b> LIFE BELOW WATER                       |  |
| <b>15</b> LIFE ON LAND                           |  |

# Responsible Business Plan 2020: 2019 Status

We measure attainment of the ambitions and commitments laid out in our Responsible Business Plan 2020 using certain indicators. In this CR Report, we present our status at the end of 2019 (target attainment as at 31 December 2019) and how we will proceed further.

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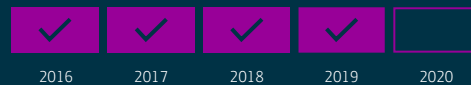
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### RESPONSIBLE BUSINESS

We are a fair and trustworthy partner for our stakeholders. In the years leading up to and including 2020 we achieve consistently good to very good results in relevant external assessments and our stakeholder surveys.



#### A LOOK AT 2019:



Sustainability-linked loan: first German telecommunications company with a sustainability-linked syndicated loan

Employee Net Promoter Score result: 21.5

Increased Customer Satisfaction Index to 7.61 points

### STRENGTHENING LIFE IN THE DIGITAL WORLD

We succeed in encouraging all people to embrace the digital opportunities available and develop their skills in everyday digital life according to their individual requirements and wishes. In the years leading up to and including 2020 over 50 million people benefit annually from our products and programmes, enabling them to live digital and independent lives.



#### A LOOK AT 2019:



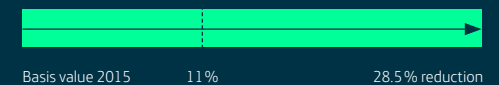
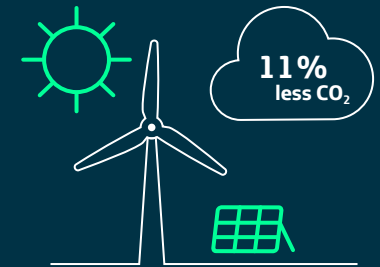
48 million people benefit from our offering

O<sub>2</sub> Gurus support 3.3 million interested individuals

Over 32,000 senior citizens in the "Digital mobil im Alter" programme

### ENVIRONMENTAL AND CLIMATE PROTECTION

We harness the opportunities provided by digitalisation to cut raw-material and energy consumption. By 2020 we aim to have reduced our direct and indirect CO<sub>2</sub> emissions by 11% compared with 2015.



#### A LOOK AT 2019:



# Compliance

## Commitment

We act in accordance with all laws, societal guidelines and values. In the years leading up to and including 2020 we will strive for externally recognised certification of our compliance management system.

## 2019 status



## OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET  | 2019 TARGET ATTAINMENT | 2020 TARGET                   |
|--|------------------------|-------------------------------|
| We will continuously improve our compliance management system and strive for external certification in accordance with the IDW auditing standard 980 by the end of 2020.   |                        | The target remains unchanged. |
| We conduct an annual employee survey regarding the quality of our compliance programme and the awareness of our employees. The Group-wide survey covers all Telefónica Deutschland Group employees. On completion, we analyse the results to see if there are potential fields of action where there could be improvement. |                        | The target remains unchanged. |
| We review our internal compliance training concept regularly and continually adjust it to meet operational requirements. At the same time, we strive to ensure legal regulations are adhered to.   |                        | The target remains unchanged. |

### LEGEND

Target attainment level as at 31/12/2019



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## Supply chain

### Commitment

We promote sustainable procurement management and supplier management. In the years leading up to and including 2020 we will take CR criteria into account in 100% of the purchasing processes with our most important suppliers.

### 2019 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET   | 2019 TARGET ATTAINMENT | 2020 TARGET                   |
|---|------------------------|-------------------------------|
| We will continuously bring the purchasing processes of Telefónica Global Services (TGS), the specialist departments of the Telefónica Deutschland Group, the CR department and the contact with suppliers into line with the Supply Chain Sustainability Policy by the end of 2020. | <br>2019      2020     | The target remains unchanged. |
| We will continue to perform the risk analyses of suppliers every two years and by the end of 2020 set up a process aimed at improving the sustainability performance of suppliers identified as posing a risk. The next analysis will be performed in 2020.                         | <br>2019      2020     | The target remains unchanged. |





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# Employer

## Commitment

As a responsible employer, we set great store by fair, open and trusting cooperation and offer our employees an inspiring work environment with diverse development and preference options. We benchmark

the satisfaction and commitment of our employees on the basis of good to very good results in our regular surveys.

## 2019 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET   | 2019 TARGET ATTAINMENT | 2020 TARGET  |
|---|------------------------|--|
| In addition to regular pulse surveys, we conduct an annual anonymised employee survey; with this, we aim to achieve an engagement index score of 75% by 2020. Following completion, we start an open dialogue on the results of the survey within the framework of our action planning and we provide our executives with the corresponding tools for this.   |                        | The target continues to be pursued, but using a new employee survey.<br><br>With regard to the newly introduced indicator that is the eNPS, we want to achieve a value of 26 in the Employee Experience Survey in 2022.  |
| In order to position our company for long-term success in a dynamic market environment, we are establishing a smart, flexible and efficient organisation. This includes the following points: <ul style="list-style-type: none"> <li>Promoting agile thinking and working methods as well as cross-functional cooperation and networking. We measure the effectiveness of our initiatives against our agility index, which we are introducing in 2019 (determined during the pulse survey).</li> <li>Promoting new management skills in order to strengthen our executives in their roles and responsibilities: <ul style="list-style-type: none"> <li>as enablers and linkers for employees and teams</li> <li>as promoters of an open dialogue and targeted learning culture (determined during the pulse survey introduced in 2019)</li> <li>as drivers of our sustainable success (determined during the pulse survey with the Leadership Index)</li> </ul> </li> </ul> |                        | The targets remain unchanged.<br><br>Further targets we have set ourselves for the end of 2020 are: <ul style="list-style-type: none"> <li>a score of at least 60% in the agility index (determined during the employee pulse survey and the Employee Experience Survey)</li> <li>a Leadership Index score of at least 80 %</li> </ul> |



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2019 TARGET

2019 TARGET ATTAINMENT

2020 TARGET

We prepare our employees for future tasks and offer them attractive internal opportunities for development. In this context, we aim to increase employee mobility in the company by the end of 2020. As the first step, we are therefore launching a new employee mobility platform in 2019.



The targets remain unchanged.

As the first step, we launched a new employee mobility platform in early 2020. We promote, moreover, the targeted development of skills and launch the Beyond initiative, an AI- and data-based approach which includes a new organisational framework. We have set ourselves a target of 60% of employees (PIP) being registered.

We believe diversity, in the sense of a multitude of viewpoints, backgrounds, skills and experiences, is enriching and we promote this in a targeted manner. In order to support women in their careers, we aim to achieve a total share of women on the Management Board and the Senior Leadership Team (SLT) of 30% by 2020.



The target remains unchanged.

We offer our employees attractive internal opportunities for developing their careers. We want to:

- by 2020 fill on average at least 30% of vacancies with internal employees
- achieve a rate of 90% for offering trainees and dual-studies students permanent employment by 2020
- in the years leading up to and including 2020 support women in their careers by achieving a participation rate of at least 16% of eligible women in the company in Women in Leadership and the mentoring programme which goes with it



The targets remain unchanged, except for the Women in Leadership programme.

Further training is to be accessible for our employees in real time and easily. By 2020 all employees will have a digital learning platform at their disposal. Via this, they will in fewer than five clicks be able to find the opportunities for further training that are right for them. The number of users should on average be at least equal to 30%.



The target is no longer being focused on as part of the CR goals; the digital learning platform was introduced by us.

The Telefónica Deutschland Group is especially concerned with providing a safe work environment and maintaining and promoting the health of all our employees. By the end of 2020 we will operate an integral health management programme to implement the targets and principles of our health policy. We will in particular introduce a sustainable target and measurement system (KPIs) for the maintenance of industrial, health and safety standards, which will be raised at least annually.



The targets remain unchanged.

In addition to the finalisation and launch of the KPI dashboard and implementation of the new instruction concept, there are plans to develop special management training. This will focus on teaching management about the key occupational health and safety issues and their significance to the company. There are plans to develop a "feel good" concept specifically for the decentralised shop staff.

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Target attainment level as at 31/12/2019



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# Customers

## Commitment

We offer our customers the best product price-performance ratio and service experience, the latest innovations and a modern network infrastructure.

By 2020 we will offer one of the best customer services in the industry with a high level of customer satisfaction.

## 2019 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET  | 2019 TARGET ATTAINMENT | 2020 TARGET                   |
|--|------------------------|-------------------------------|
| We will continuously improve our customer service according to the needs and wishes of our customers. We will focus on the continuous optimisation of our service offerings.                                     | 2019                   | The target remains unchanged. |
| We will invest consistently in our network infrastructure and while doing so orient ourselves towards the actual benefit for our customers in order to be able to provide them with the best network experience. | 2019                   | The target remains unchanged. |

LEGEND

Target attainment level as at 31/12/2019



## Digital inclusion

### Commitment

We make people of all age groups fit for the digital world. We will provide ten million people with inspiration and support in the years leading up to and

including 2020 with Germany-wide programmes and initiatives that promote digital participation.<sup>1</sup>

### 2019 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET  | 2019 TARGET ATTAINMENT | 2020 TARGET  |
|--|------------------------|--|
| The youth programme Think Big will come to an end in May 2019. The focus in 2019 will be on in-depth stakeholder discussions to gain relevant impulses for the development of a new commitment approach for Telefónica Deutschland.  |                        | We implement various activities designed to teach digital skills and promote the digital participation of people in a variety of age groups. Workshops and discussion events are to be held all over Germany throughout the year. These measures will be complemented by the development of new educational materials in the form of brochures and videos.<br><br>We will focus on teaching people how to deal with the challenges of the Internet. This includes topics such as how to deal with cyberbullying or hate speech and how to promote social cohesion. The activities are to be supported by the O <sub>2</sub> #LOVEMOB campaign. |
| With the programme "Digital mobil im Alter – Tablets für Senioren" (Digitally Mobile in Old Age – Tablets for Senior Citizens [DMiOA]), we want to together with Stiftung Digitale Chancen (Digital Opportunities Foundation) in 2019 reach at least 3,250 elderly people Germany-wide (of which approx. 2,500 are project participants [including online users] and 750 are opinion leaders of senior-citizen age [approx. 50% of all opinion leaders are themselves senior citizens]). |                        | We promote the digital inclusion of the elderly.<br>Plans for the first half of the year: <ul style="list-style-type: none"> <li>• Loaning tablets to 12 facilities</li> <li>• Publication of guidelines on the website</li> </ul> We organise at least two "digital walks" with senior citizens, thereby reaching a total of 9,500 senior citizens in the first half of the year (including 250 project participants and 1,050 opinion leaders of senior-citizen age).  |

<sup>1</sup> Calculations for the years 2015 to 2020 are based on the participants in our programmes such as Think Big and "Digitally Mobile in Old Age – Tablets for Senior Citizens", Basecamp participants and website readers, and volunteers, as well as the number of hotline O<sub>2</sub> Gurus and clicks on our O<sub>2</sub> Guruvideos.

#### LEGEND

Target attainment level as at 31/12/2019



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2019 TARGET

- O<sub>2</sub> Gurus:
- Our customer service Gurus will also support customers in 2019 in all challenges that they may face in using all digital services and digital products. This will be done via the hotline, chats, video chats, webinars and Helping Hands videos on the official O<sub>2</sub> YouTube channel. Online webinars for employees at the points of sale are also planned for 2019.
  - The Gurus are also part of our commitment strategy; for example, they communicate to parents and children how to use the Internet safely in special Guru workshops, educational videos and portal articles.

We will carry on being an active stakeholder in the political and public debate on youth media protection and in line with this will continue to participate until 2020 in among other things the management board of Freiwillige Selbstkontrolle Multimedia-Diensteanbieter (German Association for Voluntary Self-Regulation of Digital Media Service Providers).

2019 TARGET ATTAINMENT



2020 TARGET

Offering our customers optimum support regarding digital topics remains a key element of our service strategy. Digital and technical topics are increasingly being embedded in all areas in order to further promote our customers' "digital education". Helping Hands videos and social media activities will continue to support the customers.

Our employees will assist our customers with the use of complex digital services and products, first and foremost via the voice, messaging and video chat channels as well as via our help boxes and the Helping Hands videos on the official YouTube channel.

As digital topics are more and more becoming part and parcel of the service advice offered, they are increasingly falling within the remit of the O<sub>2</sub> Care hotline, while the O<sub>2</sub> Gurus offer assistance with more complex digital topics. We also support our customers with their issues with the help of easy-to-use service apps and many service offerings in our portal, which will be expanded.

**POS channels shops and partner shops**

The Gurus and the shop agents in O<sub>2</sub> shops and partner shops are trained and encouraged to use visitor contacts for digital inspiration wherever possible, for example providing assistance with the operation and personal use of smartphones and accessories, the demonstration of new services and apps, and answering questions regarding applications and where their mobile use and utilisation at home are concerned.

The target remains unchanged.

LEGEND

Target attainment level as at 31/12/2019



## Sustainable innovations

### Commitment

In the years leading up to 2020 we will push technologies to simplify linking up people, devices and machines in the private and industrial world. The goal is to support our customers in the realisation of new

products and business models in order to give all areas of society access to digital products.

### 2019 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET  | 2019 TARGET ATTAINMENT | 2020 TARGET  |
|--|------------------------|--|
| More quality of life at home by 2020: we will develop the digital infrastructure needed to network intelligent home appliances and sensors that we together with business partners make available to end customers. The aim is for more people to be able to make environmentally friendly and economical use of their apartments. <sup>2</sup>  |                        | The target remains, but it has been changed.<br><br>In the future, we will focus not only on our customers' quality of life at home, but also on applications they can use when on the move, e.g. tracker solutions that are affordable in the medium term and make it possible for them to keep an eye on valuable items.           |
| Increase in general health awareness by 2020: we will offer a consumer-oriented platform for the Internet of Things that, among other things, enhances sportswear with multiple sensors and analysis programmes to go with them, so exercisers can gain an insight into their vital signs.   |                        | The target remains, but it has been changed: these use cases will not be focused on in the short to medium term, as we will focus on affordable solutions for the mass market. The consumer-oriented platform will enable us to gradually incorporate additional sensors and services, prospectively also to boost health awareness. |
| Digitalisation of the energy transition by 2020: we will provide the digital infrastructure for successfully networking intelligent measurement systems (smart grids/smart meters). Together with our partners, we will offer solutions which provide customers with more transparency regarding their energy consumption.   |                        | The roll-out of the smart meter gateway is begun.  |
| Networked mobility and reduction in CO <sub>2</sub> fleet emissions in the years leading up to 2020: we supply analysis applications for company vehicle fleets to improve driver safety, reduce fuel consumption and lower maintenance costs. Moreover, we will offer telematics solutions that will give our customers more transparency, enabling them to keep to the statutory requirements for average CO <sub>2</sub> fleet emissions. |                        | The application of scope of the telematics solution used by us is to be increased by a further 1,000 vehicles to a total of over 2,000 by the end of 2020.   |

<sup>2</sup> The target formulation has changed from that of 2018.



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2019 TARGET

2019 TARGET ATTAINMENT

2020 TARGET

Moving and environmentally friendly urban traffic by 2020: together with partners, we will specifically develop analyses on the basis of our data, which will enable, for instance, personal shuttle buses to be put on for entire cities, greenhouse gases to be controlled and flows of traffic to be planned for large events.



The target remains unchanged.

Reduction in the risk of fraudulent activities in the financial services sector, for example improper access to online banking services, by 2020: we will offer solutions that increase security for consumers and banks by giving companies from the financial services sector the opportunity to verify the correctness of customers' transactions or logins.



The target remains unchanged.

LEGEND

Target attainment level as at 31/12/2019



Not attained



Partly attained



Mostly attained



Attained



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# Data protection

## Commitment

We work to ensure customers retain sovereignty over their data and remain the masters of their digital lives. We protect the data of our clients, employees, partners and investors in all products and processes, and ensure that the Telefónica Deutschland Group's

business activities comply with data protection. Our actions in this are straightforward and transparent, and we communicate with all the relevant interest groups about innovations early on.

## 2019 status



## OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET   | 2019 TARGET ATTAINMENT | 2020 TARGET   |
|---|------------------------|---|
| In 2019 we will introduce a digital tool for data protection advice and management in the company.  |                        | The target remains for 2020.<br><br>The digital tool for data protection advice and management is being introduced at the beginning of 2020. At the same time, we will test the first digital advice applications for our employees in the area of data protection topics (Legal Tech).   |
| We are adapting our internal training concept for data security continuously to company and legal prerequisites, therefore guaranteeing compliance with the statutory provisions. In relation to this, we will in 2019 conduct an awareness campaign for all employees throughout the company.  |                        | The target remains for 2020.<br><br>An awareness campaign was launched at the beginning of 2020 for all employees throughout the company. We are now restructuring the process for the management of data protection risks to guarantee prioritised processing and the targeted planning of measures.   |
| We are in regular and constructive dialogue with external stakeholders such as the Bundesnetzagentur (Germany's Federal Network Agency) and the German Federal Commissioner for Data Protection and Freedom of Information (BfDI).  |                        | The target remains unchanged.<br><br>We examine and test, moreover, new applications and options for communicating data protection information to our customers more transparently.   |
| In the area of corporate security, the following measures will be focused on in 2019: <ul style="list-style-type: none"> <li>Ongoing optimisation of the existing information security management system (ISMS) in a periodic improvement cycle based on the ISO 27001:2013 standard</li> <li>Optimisation of operational security within the framework of the Zero Impact programme that is underway. Targets for 2019 are the finalisation of the generic threat catalogue and the launch of a company-wide analysis phase.</li> <li>Realisation of security assessments in the Telefónica Deutschland Group in accordance with the agreed annual plan</li> </ul> |                        | In the area of corporate security, we will focus on the following measures: <ul style="list-style-type: none"> <li>Ongoing optimisation of the existing information security management system (ISMS) in a periodic improvement cycle based on the ISO 27001:2013 standard</li> <li>Optimisation of operational security within the framework of the Zero Impact programme; target for 2020: conclusion of the analysis stage for the NT and ST divisions and start of the analysis stage with other departments</li> <li>Realisation of security assessments in the Telefónica Deutschland Group in accordance with the agreed 2020 annual plan</li> </ul> |

LEGEND

Target attainment level as at 31/12/2019





## Energy & CO<sub>2</sub> Reduction

### Commitment

We will reduce our energy consumption per data volume by 40% by 2020 compared with 2015 and annually purchase from green electricity sources 100% of the energy we procure and control ourselves.

### 2019 status

#### Energy consumption per data volume



#### 100% of energy from green sources



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET  | 2019 TARGET ATTAINMENT | 2020 TARGET   |
|--|------------------------|---|
| <p>By 2019 or 2020 we will have implemented the following energy efficiency measures in the area of the network:</p> <ul style="list-style-type: none"> <li>• Modernisation of 2G networks (saving to be expected 6 GWh) and 3G networks (saving to be expected 1.5 GWh) by the end of 2019</li> <li>• Site deactivation by the end of 2019 of approx. 15,000 network units within the framework of network consolidation and modernisation, saving of approx. 202 GWh</li> <li>• Successive saving of approx. 50 GWh through deactivation of DSL main distributor by 2020</li> </ul> <p>The savings made through energy efficiency in operating business activities (opex) should amount to 15 million euros by 2020.</p>                                 |                        | <p>A new target has not been established for 2020. Instead, an ambitious target is being formulated as part of the Responsible Business Plan 2025.</p> <p>The total savings will be determined by the end of 2020.</p>  |
| <p>By the end of 2020 we will have achieved the following in the area of CO<sub>2</sub> management and mobility:</p> <ul style="list-style-type: none"> <li>• Reduction in average fleet emissions to 95 g CO<sub>2</sub>/km by means of incentives for all company vehicles newly registered in 2020</li> <li>• Analysis of the options for supporting electric mobility for our employees' company and private cars</li> <li>• Implementation of an internal communications campaign on our employees' carbon footprint when it comes to business travel (rail, flying)</li> <li>• Employees are to receive information on commuting (public transport, ride-sharing, short-term rentals) using apps that are already available on the market</li> </ul> |                        | <p>The target remains unchanged.</p> <p>To achieve this, we will revise the vehicle guidelines; this will be done by Human Resources as part of a comprehensive mobility concept.</p> <p>There was an increase in the proportion of hybrid vehicles in the fleet from 1% in 2018 to 12% in 2019. Evaluation of the possibility of using charging stations at the Munich and Düsseldorf sites is a focus for 2020.</p> |

#### LEGEND

Target attainment level as at 31/12/2019



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2019 TARGET

As regards energy efficiency in our buildings, we have set ourselves the following targets:

- Exchanging the boilers in the O<sub>2</sub> Tower on floors 1–18 for tankless water heaters in the first half of 2019
- Replacing the halogen lamps in the lobby on the ground floor of the O<sub>2</sub> Tower
- Checking the necessity of the existing uninterrupted power supply and emergency power systems at each location, with regard to age, current requirements, performance and, if need be, demolition
- Return of a third of the rental space at our Düsseldorf location in the first half of 2019

2019 TARGET ATTAINMENT



2020 TARGET

As regards energy efficiency in our buildings, we have set ourselves the following targets:

- Closure of the Cologne site and relocation of the staff to Düsseldorf coupled with space usage optimisation
- Energy evaluation of the Munich, Düsseldorf and Bremen offices by the end of 2020 and derivation of possible measures
- The focus of the evaluation is on the Bremen and Hamburg sites in 2020; other sites will be reviewed based on the location strategy

LEGEND

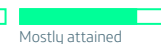
Target attainment level as at 31/12/2019



Not attained



Partly attained



Mostly attained



Attained



## Conservation of resources

### Commitment

In the years leading up to 2020 we will annually implement at least one further relevant measure for protecting resources in our structures and processes.

### 2019 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

| 2019 TARGET  | 2019 TARGET ATTAINMENT                                     | 2020 TARGET  |
|--|--|--|
| <p>In order to promote more sustainable and paper-saving behaviour, we will expand the share of e-bills to approx. 90% in 2019. We have planned the following measures for this:</p> <ul style="list-style-type: none"> <li>Combining accounts (customers that currently receive several invoices will only receive one in future)</li> <li>DSL customers will also be able to use the My O<sub>2</sub> app in future, which creates opportunities for switching to e-billing</li> </ul> |  | <p>We will use the following measures to increase the proportion of online bills to approx. 91% in order to promote more sustainable and paper-efficient behaviour:</p> <ul style="list-style-type: none"> <li>Expansion of automated push e-billing to other brands (Blau)</li> <li>Expansion of automated push e-billing measures to DSL customers too following their migration to the mobile stack</li> <li>Plans to merge accounts, i.e. customers who receive multiple bills are henceforth to receive a single bill</li> <li>Reduction in unnecessary bill dispatching</li> </ul> |
| <p>Through joint further development with our suppliers, we will optimise further the plastic packaging for the SIM cards produced for us. We aim to deliver a million SIM cards in the new packaging in 2019.</p>   |  | <p>The target remains for 2020, but its scale has been changed. We aim to deliver six million SIM cards in the new packaging.</p>  |
|  | <p>New measure for conservation of resources for 2020:</p> | <p>By optimising the supply chain processes, we will achieve climate-neutral dispatching. When products are shipped to our shops and to our customers, we use our O<sub>2</sub> My Handy channel for this.</p>   |

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Target attainment level as at 31/12/2019



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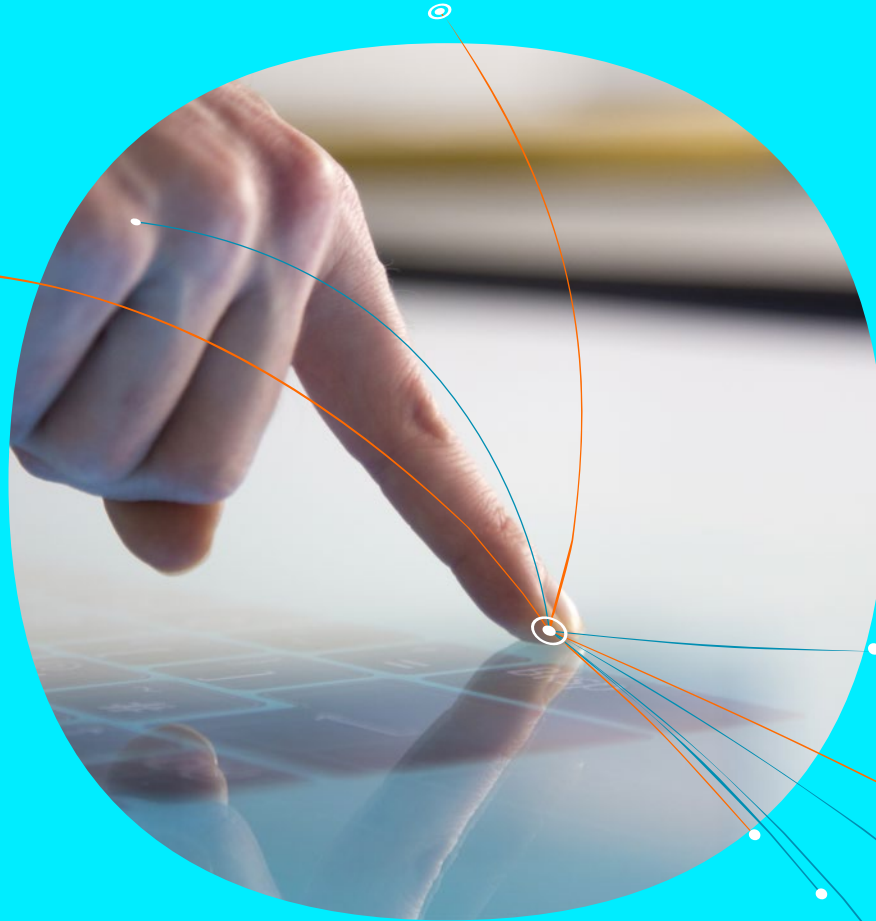
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# Overview of key figures

We measure our CR performance based on key figures and present these in the following tables.  
The key figures are for the Telefónica Deutschland Group and refer to the financial years 2017, 2018 and 2019.  
For the sake of clarity, the key figures are grouped by topic.

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### ECONOMIC KEY FIGURES

|   | UNIT           | 2017   | 2018   | 2019   |
|---|----------------|--------|--------|--------|
| Revenues <sup>1</sup>   | EUR million    | 7,296  | 7,320  | 7,458  |
| Payments to employees – personnel expenses <sup>2</sup>   | EUR million    | 642    | 610    | 592    |
| Sites with certificates for quality (DIN EN ISO 9001), the environment (DIN EN ISO 14001) and energy (DIN EN ISO 50001) | %              | 100    | 100    | 100    |
| Customers: total number of connections  | Thousands      | 47,604 | 47,089 | 48,258 |
| Customers: mobile connections   | Thousands      | 43,155 | 42,819 | 43,827 |
| Total number of mobile communication locations <sup>3</sup>   | Number rounded | 32,000 | 38,000 | 34,000 |

### SUPPLY CHAIN

|   | UNIT        | 2017  | 2018  | 2019  |
|---|-------------|-------|-------|-------|
| The figures here and in the report comprise the volume and number of orders placed by the Telefónica Deutschland Group which were processed by Telefónica Global Services GmbH (TGS). The figures include all the orders up to 31 December of the financial year in question, irrespective of their processing date. The figures stated in previous reports were subject to calculation with effects on all the budget years. All the latest ACM (ACM is a purchasing tool used to manage the purchasing processes) data is taken into account. |             |       |       |       |
| Purchase volume   | EUR million | 3,334 | 3,840 | 3,314 |
| of which volume with suppliers in Germany   | EUR million | 2,249 | 2,383 | 2,171 |
| Suppliers   | Number      | 888   | 863   | 723   |
| of which suppliers in Germany   | Number      | 617   | 596   | 574   |
| Share of domestic suppliers   | %           | 69    | 69    | 79    |
| Proportion of volume to domestic suppliers  | %           | 67    | 62    | 66    |
| Number of supplier assessments within the SUMA processes  | Number      | 56    | 48    | 44    |

<sup>1</sup> Excluding regulatory effects for 2019

<sup>2</sup> Personnel expenses include wages and salaries, social security, pensions and restructuring expenses.

<sup>3</sup> The number of locations comprises only sites without directional-radio connections (directional-radio repeaters), base station controller (BSC)/radio network controller (RNC) locations

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| COMPLIANCE  | UNIT   | 2017 | 2018 | 2019 |
|---|--------|------|------|------|
| Proportion of employees given training in the Business Principles <sup>4</sup>  | %      | 78.5 | 78.0 | 96.8 |
| Incidences of discrimination, violation of the Business Principles, investigations into the Telefónica Deutschland Group relating to unfair competition or complaints regarding environmental impacts | Number | 0    | 1    | 0    |
| Justified objections to advertising conduct   | Number | 5    | 13   | 9    |
| Benefits for political parties  | EUR    | 0    | 0    | 0    |

| SOCIETY  | UNIT                                  | 2017    | 2018    | 2019             |
|--|---------------------------------------|---------|---------|------------------|
| Donations to not-for-profit projects <sup>5</sup>                        | EUR                                   | 426,934 | 240,093 | 175,500          |
| Participants in the corporate volunteering programme (employees)         | Number                                | 290     | 184     | 859              |
| Time donated <sup>6</sup>  | EUR                                   | 69,600  | 49,920  | 55,440           |
| Participants in "Digital mobil im Alter" (Digitally mobile in Old Age)   | Number (rounded)                      | 2,800   | 4,500   | 32,000           |
| Number of workshops in the shops <sup>7</sup>                            | Number                                | 523     | 181     | 0                |
| Number of people informed and inspired by the hotline Gurus <sup>8</sup> | Number                                | 352,943 | 523,057 | 487,269          |
| Contacted video Gurus  | Clicks rounded to the nearest million | 1.2     | 0.8     | 1.1 <sup>9</sup> |

| EMPLOYEES   | UNIT                               | 2017  | 2018  | 2019  |
|---|------------------------------------|-------|-------|-------|
| Total number of employees (PIP) at the reporting date of 31 December <sup>10</sup><br>The total number of employees is based on active and inactive salaried employees and temporary staff (incl. working students) independent of their term limitation. TGS/TGR, the holding, trainees, interns and degree candidates are excluded. There is no need for a regional breakdown of the key employee figures as Telefónica Deutschland Group staff are only employed in Germany. | Number, people in place (PIP)      | 9,281 | 8,868 | 8,443 |
| Total employees (FTE) <sup>11</sup>   | Number, full-time equivalent (FTE) | 8,697 | 8,295 | 7,823 |
| Part-time employees   | Number, people in place (PIP)      | 1,833 | 1,833 | 1,972 |
| of which women:   | Number, people in place (PIP)      | 1,365 | 1,367 | 1,391 |
| of which men:   | Number, people in place (PIP)      | 468   | 466   | 581   |

<sup>4</sup> Proportion based on number of Telefónica Germany GmbH & Co. OHG employees not including employees on leave and excluding external consultants (employee basis 7,885, PY 6,872). The 7,630 completed instances of training are included in the calculation of training completed between 1 January 2017 and 31 December 2019 as the training cycle lasts three years.

<sup>5</sup> The figures do not include the monetary value of time donated and donations in kind (in the amount of EUR 55,440, previous year EUR 49,920).

<sup>6</sup> The voluntary work of employees as part of the "Social Days" multiplied by eight hours per social day and using a EUR 30 hourly rate. In 2019 we recorded 231 social days in the system; these were integrated into the calculation for the time donated. This means that not all 859 volunteers registered in the system.

<sup>7</sup> We have offered a total of 3,678 workshops since August 2014. The number of workshops reported here constitutes the Guru workshops actually carried out in 2017, 2018 and 2019. Workshops without registrations or which were then cancelled at the

point of sale are not counted. The fall in workshops in the shops can be explained by the reorientation of the Gurus as part of the service strategy. Only three shops offered workshops in 2019; none, however, took place.

<sup>8</sup> The number of people contacted is the sum of the Guru hotline calls and calls concerning digital topics which were made through other channels. Through the realignment and digitalisation of the services, digital subjects are now handled via other hotlines too.

<sup>9</sup> Of the 1.1 m times contact was made, there were 12,292 instances of this being done personally with the video Gurus (e.g. personal advice via video chat).

<sup>10</sup> Total employees incl. 50% of employees from Tchibo joint venture

<sup>11</sup> Total employees excl. 50% of employees from Tchibo joint venture



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| EMPLOYEES  | UNIT                          | 2017      | 2018  | 2019  |
|--|-------------------------------|-----------|-------|-------|
| Full-time employees <sup>11</sup>  | Number, people in place (PIP) | 7,437     | 7,023 | 6,459 |
| of which women:  | Number, people in place (PIP) | 2,411     | 2,195 | 1,987 |
| of which men:  | Number, people in place (PIP) | 5,026     | 4,828 | 4,472 |
| Salaried employees with an open-ended contract <sup>11</sup>   | Number, people in place (PIP) | 8,174     | 7,834 | 7,595 |
| of which women:  | Number, people in place (PIP) | 3,299     | 3,114 | 3,040 |
| of which men:  | Number, people in place (PIP) | 4,875     | 4,720 | 4,555 |
| Temporary employees <sup>11</sup>  | Number, people in place (PIP) | 1,096     | 1,022 | 836   |
| of which women:  | Number, people in place (PIP) | 477       | 448   | 338   |
| of which men:  | Number, people in place (PIP) | 619       | 574   | 498   |
| Employees to whom collective wage agreements apply <sup>11</sup>                                       | Number                        | 7,502     | 7,588 | 7,284 |
| Share of total number of employees to whom collective wage agreements apply <sup>11</sup>              | %                             | Around 81 | 85.7  | 86.4  |
| Employees with disabilities <sup>11</sup>  | Number                        | 283       | 288   | 295   |
| Trainees and dual students <sup>11, 12</sup>   | Number                        | 82        | 72    | 101   |
| Nationalities of employees <sup>11</sup>   | Number                        | 76        | 74    | 78    |
| Women in the workforce <sup>11</sup>   | Number                        | 3,776     | 3,562 | 3,378 |
| Share of women in the workforce <sup>9</sup>   | %                             | 40.7      | 40.2  | 40.1  |
| Total number of senior managers (Valora) on 1st reporting level (incl. Management Board) <sup>11</sup> | Number                        | 53        | 55    | 56    |
| Female senior managers (Valora) on 1st reporting level (incl. Management Board) <sup>11</sup>          | Number                        | 8         | 12    | 13    |
| Share of female senior managers (Valora) on 1st reporting level (incl. Management Board) <sup>11</sup> | %                             | 15        | 21.8  | 23.2  |
| Total number of senior managers (Valora) on 1st reporting level (excl. Management Board) <sup>11</sup> | Number                        | 45        | 47    | 49    |
| Female senior managers (Valora) on 1st reporting level (excl. Management Board) <sup>11</sup>          | Number                        | 6         | 10    | 11    |
| Share of female senior managers (Valora) on 1st reporting level (excl. Management Board) <sup>11</sup> | %                             | 13.3      | 21.3  | 22.4  |
| Female members on the Management Board (PIP)   | Number                        | 2         | 2     | 2     |
| Share of female members of the Management Board  | %                             | 25        | 25    | 28.6  |

<sup>11</sup> Total employees excl. 50% of employees from Tchibo joint venture

<sup>12</sup> 19 trainees started commercial and technical training with us last year. Of the trainees who completed their training in 2019 63% were taken on.



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|---|-------------|--------------------------------|--------------------------------|--------------------------------|
| Total difference in salaries for men and women: percentage of women's average salary compared with average for men (senior management, middle management, rest of the workforce) <sup>11</sup>  | %           | 76                             | 77                             | 78                             |
| Difference in salaries for men and women in senior management: percentage of women's average salary compared with average for men <sup>11</sup>   | %           | 104                            | 100                            | 102                            |
| Difference in salaries for men and women in middle management: percentage of women's average salary compared with average for men <sup>11</sup>   | %           | 80                             | 83                             | 84                             |
| Difference in salaries for men and women in the rest of the workforce: percentage of women's average salary compared with average for men <sup>11</sup>   | %           | 80                             | 80                             | 81                             |
| Average age of employees <sup>11</sup><br>Detailed list by age and gender on p. 44  | Years old   | 39.7                           | 40.1                           | 40.9                           |
| Average seniority of employees  | Years       | 8.7                            | 9.4                            | 10.2                           |
| Total expenditure on employee training and professional development   | EUR million | 6.3                            | 7.6                            | 8.1                            |
| Staff turnover <sup>11</sup><br>The basis is the number of employees who left over the period from 31 December 2018 to 30 December 2019/<br>mean PIP value at the five reporting dates 31 December 2018, 31 March 2019, 30 June 2019, 30 August 2019 and<br>31 December 2019.<br>Detailed list by age and gender on p. 44   | Number (%)  | 1,633 (17.4)                   | 1,273 (14.1)                   | 1,208 (14)                     |
| New employees <sup>11</sup><br>The basis is respectively the number of new entries over the period from 1 January to 31 December of the relevant<br>financial year.<br>Detailed list by age and gender on p. 44   | Number (%)  | 1,405 (21.5)                   | 857 (9.5)                      | 768 (9)                        |
| Voluntary exits (voluntary rotation index) <sup>11</sup>  | %           | 6.2                            | 7.3                            | 6.2                            |
| Employees who have taken parental leave <sup>11</sup><br>Women with multiple entries were counted as one instance of parental leave in each case, men with two entries were<br>classified as one instance of parental leave, and decisions were made on a case-by-case basis regarding more than two<br>entries for men. Part-time employees on parental leave are classed as active employees. | Number      | 685<br>(197 men,<br>488 women) | 663<br>(191 men,<br>472 women) | 578<br>(185 men,<br>393 women) |
| Employees who returned to work after parental leave <sup>11</sup>   | Number      | 350<br>(166 men,<br>184 women) | 372<br>(167 men,<br>205 women) | 325<br>(167 men,<br>158 women) |
| Percentage of employees who returned to work following parental leave <sup>11</sup>   | %           | 92<br>(95% men,<br>89% women)  | 97<br>(100% men,<br>94% women) | 93<br>(99% men,<br>88% women)  |
| Employees who returned to work after parental leave and who were still in their jobs twelve months after returning <sup>11</sup>  | Number      | 355<br>(184 men,<br>171 women) | 320<br>(155 men,<br>165 women) | 312<br>(151 men,<br>161 women) |
| Employees who returned to work after parental leave and who were still in their jobs twelve months after returning <sup>11</sup>  | Rate        | 92<br>(95% men,<br>88% women)  | 81<br>(87% men,<br>77% women)  | 83<br>(90% men,<br>78% women)  |

<sup>11</sup> Total employees excl. 50% of employees from Tchibo joint venture





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|--|--------|---|---|---|
| <b>HEALTH PROTECTION AND OCCUPATIONAL SAFETY</b>   |        |   |   |   |
| Absenteeism rate<br>(Number of lost days resulting from workplace accidents and other illnesses/total number of workdays in year) x 100                      | %      | 5.7<br>(4.7% men,<br>7.4% women)            | 7.2<br>(6.0% men,<br>8.9% women)            | 6.9<br>(5.8% men,<br>8.5% women)            |
| Lost days recorded due to any form of incapacity to work   | Days   | 125,570<br>(63,106 men,<br>62,464<br>women) | 161,745<br>(80,850 men,<br>80,895<br>women) | 147,215<br>(74,190 men,<br>73,025<br>women) |
| Accident rate <sup>13</sup><br>(Number of workplace accidents/total number of working hours in year) x 200,000   | Rate   | 0.83<br>(0.89 men,<br>0.74 women)           | 0.59<br>(0.58 men,<br>0.61 women)           | 1.03<br>(1.05 men,<br>0.99 women)           |
| Number of workplace accidents resulting in lost days <sup>13</sup>   | Number | 73<br>(48 men,<br>25 women)                 | 53<br>(31 men,<br>22 women)                 | 88<br>(54 men,<br>34 women)                 |
| Rate of lost days due to workplace accidents <sup>14</sup><br>(Lost days resulting from workplace accidents/total number of working hours in year) x 200,000 | Rate   | 9.56<br>(12.28 men,<br>5.24 women)          | 9.06<br>(8.40 men,<br>10.03 women)          | 20.2<br>(20.8 men,<br>19.2 women)           |
| Lost days recorded due to workplace accidents <sup>14</sup>  | Number | 840<br>(662 men,<br>178 women)              | 813<br>(450 men,<br>363 women)              | 1,733<br>(1,072 men,<br>661 women)          |
| Number of work-related illnesses   | Number | 0   | 0   | 0   |
| Mortalities  | Number | 0   | 0   | 0   |
| Occupational health and safety committees (occupational safety committee meetings and health forums) <sup>15</sup>   | Number | 62  | 21  | 22  |
| Hours of training in health protection and occupational safety   | Number | 4,505                                       | 10,025                                      | 11,353                                      |
| Medical examinations performed   | Number | 538   | 538   | 477   |

| ENVIRONMENT   | UNIT | 2017 | 2018 | 2019 |
|---|------|------|------|------|
| <b>ENERGY AND CARBON EMISSIONS</b>  |      |      |      |      |
| Total energy consumption<br>Detailed list on p. 77  | GWh  | 791  | 778  | 727  |
| Total electricity consumption<br>The figure for electricity consumption equals the volumes actually billed per electricity consumption point in 2019 and, in some cases, forecasts of the volumes consumed. | GWh  | 752  | 746  | 696  |
| of which by the network and data centres  | GWh  | 722  | 716  | 668  |
| of which by offices, shops, call centres  | GWh  | 30   | 31   | 28   |

<sup>13</sup> The method used to determine workplace accidents changed during the year under review, 2019, meaning it is therefore not possible to compare these with those of previous years.

<sup>14</sup> The method of calculating the number of lost days recorded due to workplace accidents was changed in 2019. The figures can therefore not be directly compared with those for 2017 and 2018. The figures now also include accidents which had already begun in the previous year.

<sup>15</sup> The high number of ASAs in 2017 is due to change in the counting method in 2017. All meetings were counted at the level of the local works councils' regions. From 2018 only the number of committees has been counted.



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|---|-----------------------------------|----------------------|----------------------|---------------------|
| Proportion of electricity consumption relating to renewable energies  | %                                 | 71                   | 82                   | 84                  |
| Total fuel consumption<br>Fuel consumption (in the form of diesel, natural gas and district heating) comprises the units provided via a direct contract between a supplier and the Telefónica Deutschland Group.  | GWh                               | 39                   | 32                   | 31                  |
| Energy from renewable energy sources  | GWh                               | 536                  | 610                  | 584                 |
| Energy intensity – energy consumption per data volume<br>The energy intensity equals the total energy consumption divided by the data volume in petabytes.  | GWh/PB                            | 0.25                 | 0.22                 | 0.17                |
| Share of green electricity with self-procured and controlled energy   | %                                 | 100                  | 100                  | 100                 |
| Total CO <sub>2</sub> emissions (Scopes 1, 2 and 3) – market-based method (location-based method)<br>Carbon emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and the ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption into carbon emissions, irrespective of the fact that 84% (previous year: 82%) came from renewable energy sources. The Telefónica Deutschland Group uses the electricity conversion factors (development of specific carbon emissions in the German electricity mix during the years 1990–2018) of the Umweltbundesamt (German Environment Agency) and with that 518 g CO <sub>2</sub> as the basis for the calculation in the year under review, 2019. This has, however, not resulted in fundamental changes in trends. | tCO <sub>2</sub> eq <sup>16</sup> | 180,614<br>(420,412) | 114,509<br>(378,890) | 93,470<br>(342,524) |
| Direct emissions (Scope 1) with refrigerant emissions   | tCO <sub>2</sub> eq               | 16,220               | 6,889                | 7,000               |
| Indirect emissions (Scope 2) (location-based method)  | tCO <sub>2</sub> eq               | 397,303              | 365,940              | 330,567             |
| Indirect emissions (Scope 2) (market-based method)  | tCO <sub>2</sub> eq               | 157,505              | 101,559              | 81,513              |
| Other indirect emissions (Scope 3)<br>Other indirect emissions due to business travel (flights and rail travel)   | tCO <sub>2</sub> eq               | 6,889 <sup>17</sup>  | 6,061 <sup>17</sup>  | 4,957               |
| Emissions avoided through the consumption of renewable energies   | tCO <sub>2</sub> eq               | 282,354              | 298,290              | 276,974             |
| Greenhouse gas intensity <sup>18</sup><br>The greenhouse gas intensity equals the total CO <sub>2</sub> emissions (Scopes 1, 2 and 3) divided by the data volume in petabytes.  | tCO <sub>2</sub> e/PB             | 130.9                | 108                  | 79.2                |
| Locations shared with other network operators   | Number                            | 6,719                | 6,260                | 3,219               |
| Inspection of electromagnetic fields to guarantee the limits are not exceeded <sup>19</sup>   | Number                            | 4,314                | 4,142                | 4,485               |
| Investments in and expenditure on measurement of electromagnetic fields <sup>20</sup>   | EUR                               | 4,323,649            | 2,025,000            | 648,458             |
| <b>WATER</b>  |                                   |                      |                      |                     |
| Water consumption <sup>21</sup><br>The water consumption data is partly based on projections.   | m <sup>3</sup>                    | 87,156               | 77,685               | 64,730              |

<sup>16</sup> CO<sub>2</sub>eq = CO<sub>2</sub>, CH<sub>4</sub> & N<sub>2</sub>O

<sup>17</sup> The emissions per km for flights and rail travel (Scope 3) for the years 2017 to 2019 were calculated with emission factors applied Group-wide (source: UK National Atmospheric Emissions Inventory [NAEI]). The values for 2017 and 2018 were accordingly subjected to retrospective adjustment. Moreover, the emissions for rail travel for 2017 to 2019 were included.

<sup>18</sup> The calculation of indirect emissions (Scope 3) was adjusted, therefore the GHG intensity values differ from the values reported in 2018.

<sup>19</sup> The information is partly based on projections.

<sup>20</sup> The figures for 2017 and 2019 are based on internal assessments.

<sup>21</sup> The data on water consumption is partly based on projections. The calculation was adjusted; therefore, the water consumption value differs from the value reported in 2018.



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|---|--------|---------|---------|---------|
| <b>MATERIAL CONSUMPTION</b>   |        |         |         |         |
| Total paper consumption   | t      | 562.6   | 554.9   | 514.7   |
| Paper consumption (offices, shops, call centres)<br>100% recycled paper with Blauer Engel (Blue Angel) certification  | t      | 99.6    | 75.9    | 72.7    |
| Paper consumed for customer contact (letters, envelopes, invoices) <sup>22</sup>  | t      | 463     | 479     | 442     |
| <b>WASTE MANAGEMENT</b>   |        |         |         |         |
| Total waste<br>This waste is calculated as the sum of the types of waste listed below.  | t      | 1,761.9 | 3,440.0 | 1,829.0 |
| Electrical and electronic equipment waste from network operation and offices<br>(e.g. antennae, outdated hardware, routers)   | t      | 403     | 173.9   | 119.7   |
| of which electronics and electronic equipment waste from network operation and offices (recycled)   | t      | 29.8    | 7.6     | 5.7     |
| of which mobile phones from customers   | t      | 9.4     | 7.4     | 11.2    |
| a) recycled mobile phones from customers  | t      | 8.1     | 6.8     | 11      |
| b) customers' mobile phones sent in for reprocessing  | t      | 1.3     | 0.6     | 0.2     |
| of which electrical and electronic equipment waste from customers without mobile phones (100% recycling/reuse) <sup>23</sup>  | t      | 363.8   | 158.9   | 102.8   |
| Waste from non-electrical/non-electronic equipment  | t      | 1,875   | 3,266.1 | 1,709.2 |
| of which paper and card waste (100% recycled) <sup>23</sup>   | t      | 119.4   | 446     | 305     |
| of which cables, pipes and metals (100% recycled) <sup>24</sup>   | t      | 1,681.4 | 2,710.2 | 1,322.1 |
| of which batteries (100% recycled)  | t      | 74.2    | 109.9   | 82.1    |
| Number of old mobile phones collected <sup>25</sup><br>For the old mobile phones collected in the mobile phone recycling programme, the Telefónica Deutschland Group makes a contribution to NABU for nature conservation projects. | Number | 80,159  | 96,442  | 83,057  |
| Eco Index-rated mobile phones<br>Number of devices in the Telefonica Deutschland Group's current portfolio of smartphones and feature phones (no retailers) that feature an Eco Index rating.                                       | %      | 95.4    | 92.3    | 95.2    |

<sup>22</sup> Value was provided as estimate by external service provider

<sup>23</sup> As waste containing paper is not weighed when collected but rather only volumes and the number of waste containers are recorded, since 2017 a more conservative estimate for the recycling volume has been made.

<sup>24</sup> Determined based on contractual agreements with disposal companies

<sup>25</sup> The number of mobile phones collected includes mobile phones which are brought into the recycling process and refurbished in the reuse process.



# CR-relevant awards received in 2019

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### TOP MARKS FOR O<sub>2</sub>'S FIXED-LINE NETWORK

O<sub>2</sub> improved by one grade year-on-year in the *connect* fixed-line network test, being given an overall rating of "very good". The testers awarded O<sub>2</sub> 850 out of a possible 1,000 points. O<sub>2</sub> made a particular impression and received very good ratings in the individual categories of Web services and Web TV. O<sub>2</sub> improved by 14% in the discipline of voice telephony, scoring 91.9% overall and coming second in the individual ranking.



### SPECIALIST MAGAZINES: RATING OF "GOOD" FOR O<sub>2</sub> MOBILE COMMUNICATIONS ACROSS THE BOARD FOR THE FIRST TIME

The O<sub>2</sub> network was rated "good" in all three of the major German network tests. With an increase of 78 points, the O<sub>2</sub> network achieved the biggest improvement seen in the mobile network test conducted by *connect*, thanks to better voice calls and good network stability. With an increase of 5.59%, O<sub>2</sub> achieved the greatest improvement in quality among all the network operators in the *CHIP* network test too, especially in towns and cities. In the *COMPUTER BILD* network test, O<sub>2</sub> was the only service provider to achieve an improvement and made an impression among other things with the best Germany-wide telephony coverage.



### DIGITAL CHAMPION TITLE FROM FOCUS-MONEY

In its study published in February, *FOCUS-MONEY* named Telefónica Deutschland the industry winner in the area of telecommunications, awarding it the title of *Digital Champion*. Its successful omnichannel sales approach was recognised in particular. This award is confirmation of the Telefónica Deutschland Group's goal of becoming "Mobile Customer & Digital Champion" by 2022.



### TWO GERMAN STEVIE AWARDS FOR O<sub>2</sub>'S CUSTOMER SERVICE

O<sub>2</sub>'s customer service reaped two *German Stevie Awards*, which are renowned business awards. The O<sub>2</sub> Customer Service & Sales (CSS) team Digital Enablement & Innovation received a silver Stevie in the category of "Service Team of the Year". In addition, Director Ulf Michaelis received a golden German Stevie Award as "Manager of the Year" in the area of customer service, thereby representing the entire CSS division.

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**EUROPE'S MOST REPUTABLE TELECOMMUNICATIONS COMPANY**

*Fortune* magazine once again named the Telefónica, S.A. Group Europe's **most reputable telecommunications company**. The Telefónica Deutschland Group's parent company sits in third place in the global ranking. The company had the edge in a direct comparison with its European competitors, with 6.5 out of 10 points. The annual ranking is based on interviews with close to 3,800 business leaders, analysts and experts from around the world.



**TELEFÓNICA NAMED "GERMAN INNOVATION LEADER"**

According to a study conducted by the F.A.Z.-Institut, the Telefónica Deutschland Group counts among **Germany's innovation leaders**. The study was conducted by Prognos in cooperation with the IMWF Institut für Management- und Wirtschaftsforschung (IMWF Institute of Management and Business Research) and examined 33,000 companies. It evaluated the extent to which a company's innovations had influenced its respective field of expertise and technology.



**RECOGNITION FOR GLOBAL LEADERSHIP IN CLIMATE PROTECTION**

The **Telefónica, S.A. Group is among the top 2%** of the more than 8,000 companies around the world that disclosed their environmental data for 2019 through the non-governmental organisation CDP. The company was awarded the top mark, an "A", for the sixth consecutive year. In particular, CDP rates companies highly that very transparently promote carbon emission reductions and the reduction of climate risks.



**SECOND PLACE IN THE BCG GENDER DIVERSITY INDEX**

A study conducted by the Boston Consulting Group and the Technical University of Munich ranked the Telefónica Deutschland Group **second** among Germany's 100 largest companies in the area of equality. This means the company is ranked higher than all the companies in the DAX 30 list. The index developed for the study measures the proportion of men and women on the companies' management and supervisory boards and evaluates the remuneration of the members of these bodies.

These awards and others can be found in an overview on our [website](#).

# Selected memberships and partnerships

Our memberships are selected in accordance with our strategic priorities. Memberships should support our business activities and serve as the parameters

within which we can generate added value for society. It is also especially important to us that we promote dialogue on economic and societal issues within the

industry. We continue to participate in initiatives that strengthen responsible business. Below is a selection of our memberships and cooperations.

| MEMBERSHIP/PARTNERSHIP  | SINCE | TARGET  | WEBSITE  |
|---|-------|---|--|
| AfB gGmbH (Work for People with a Disability)   | 2013  | The old IT hardware of major enterprises and public institutions is recycled (including the deletion of any data) and put back into the market; at least 50% of the workforce is made up of people with a disability.                     | <a href="http://www.afb-group.eu">www.afb-group.eu</a>                 |
| AmCham – American Chamber of Commerce in Germany e. V.  | 2010  | Corporate network for global business development and for a German-American partnership   | <a href="http://www.amcham.de">www.amcham.de</a>                       |
| B.A.U.M. e. V. – Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (German Association of Environmental Management)   | 2011  | Membership of the largest corporate network for sustainable business  | <a href="http://www.baumev.de">www.baumev.de</a>                       |
| Bitkom – Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. (Federal Association for Information Technology, Telecommunications and New Media) | 2001  | Membership alongside other companies from the IT, telecommunications and new media industries; active participation, among other things, in working groups looking at the issues of data protection, media policy and occupational safety | <a href="http://www.bitkom.org">www.bitkom.org</a>                     |
| Bundesverband Deutsche Startups e. V. (German Startups Association)   | 2012  | Support for the German start-up scene   | <a href="http://www.deutschestartups.org">www.deutschestartups.org</a> |
| DIRK – Deutscher Investor Relations Verband e. V. (German Investor Relations Association)   | 2014  | Europe's largest professional association for promoting dialogue between companies and capital markets  | <a href="http://www.dirk.org">www.dirk.org</a>                         |
| Deutsche Kinder- und Jugendstiftung gGmbH (German Children and Youth Foundation [DKJS])   | 2004  | Commitment to the successful education and participation in society of young people in Germany  | <a href="http://www.dkjs.de">www.dkjs.de</a>                           |
| Deutsches Kinderhilfswerk e. V. (German Children's Fund)  | 2009  | Association for children's rights and against child poverty   | <a href="http://www.dkhw.de">www.dkhw.de</a>                           |
| eco – Verband der Deutschen Internetwirtschaft e. V. (Association of the Internet Industry)   | 2002  | Companies from the IT and telecommunications industries in the largest Internet industry association in Europe for future Internet topics   | <a href="http://www.eco.de">www.eco.de</a>                             |

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| MEMBERSHIP/PARTNERSHIP  | SINCE | TARGET   | WEBSITE  |
|---|-------|--|--|
| Europäische Bewegung Deutschland e. V. (European Movement Germany)  | 2008  | Network for European policy in Germany   | <a href="http://www.netzwerk-ebd.de">www.netzwerk-ebd.de</a>   |
| Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e. V. (German Association for Voluntary Self-Regulation of Digital Media Service Providers [FSM]). | 2005  | Promotion of the protection of young people (e.g. code of conduct for mobile network operators in Germany for the protection of young people)  | <a href="http://www.fsm.de">www.fsm.de</a>   |
| GDD Gesellschaft für Datenschutz und Datensicherheit e. V. (German Association for Data Protection and Data Security)                                     | 1994  | German association for data protection and data protection officers  | <a href="http://www.gdd.de">www.gdd.de</a>   |
| Global Digital Women  | 2019  | International company for networking, visibility and strengthening of inspiring digital personalities  | <a href="http://www.global-digital-women.com">www.global-digital-women.com</a>   |
| GSM Association   | 2008  | Global industrial body representing the interests of GSM mobile network operators  | <a href="http://www.gsma.com">www.gsma.com</a>   |
| Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)  | 2016  | Major enterprises based in Munich have committed to voluntarily reducing their carbon emissions.   | <a href="http://www.muenchen.de/rathaus/wirtschaft/nachhaltig-oeko/klimapakt-muenchner-wirtschaft.html">www.muenchen.de/rathaus/wirtschaft/nachhaltig-oeko/klimapakt-muenchner-wirtschaft.html</a> |
| Naturschutzbund Deutschland e. V. (Nature And Biodiversity Conservation Union [NABU])   | 2015  | Commitment to people and nature with numerous projects to protect species, the environment and nature in Germany   | <a href="http://www.nabu.de">www.nabu.de</a>   |
| Stiftung Digitale Chancen (Digital Opportunities Foundation)  | 2010  | Commitment to getting more people interested in the opportunities provided by the Internet and supporting people in using it. The goal is to counteract the exclusion of disadvantaged sections of the population from the development of the information society. | <a href="http://www.digitale-chancen.de">www.digitale-chancen.de</a>   |
| Umweltpakt Bayern (Bavarian Environmental Pact)   | 1995  | Voluntary agreement between the Bavarian State Government and Bavarian industry on environmental protection  | <a href="http://www.umweltpakt.bayern.de">www.umweltpakt.bayern.de</a>   |
| UPJ e. V. – Unternehmen als Partner der Jugend (Companies as a Partner of Young People)   | 2005  | Network connecting companies and civil society regarding corporate social responsibility   | <a href="http://www.upj.de">www.upj.de</a>   |
| VATM – Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V. (Association of Telecommunications and Value-Added Service Providers)      | 2001  | Membership alongside other companies from the IT and telecommunications industries; active participation in various working groups   | <a href="http://www.vatm.de">www.vatm.de</a>   |
| Zentrale zur Bekämpfung unlauteren Wettbewerbs e. V. (Centre for Combatting Unfair Competition)   | 2002  | Self-regulation institution active Germany-wide for the enforcement of the law against unfair competition  | <a href="http://www.wettbewerbszentrale.de">www.wettbewerbszentrale.de</a>   |



# GRI Content Index

The Telefónica Deutschland Group CR Report was prepared in accordance with the GRI Standards: Comprehensive option.

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|-----------------------------------|------------|--|--|---|
| GRI 101: Foundation 2016          |            |  |  |   |
| GRI 102: General disclosures 2016 |            |  |  |   |
| <b>ORGANISATIONAL PROFILE</b>     |            |  |  |   |
| GRI 102: General disclosures 2016 | 102-1      | Name of the organization                                     | • Portrait of the Company (p. 9)   |   |
|                                   | 102-2      | Activities, brands, products, and services                   | • Portrait of the Company (p. 9f.)   |   |
|                                   | 102-3      | Location of headquarters                                     | • Portrait of the Company (p. 9)   |   |
|                                   | 102-4      | Location of operations                                       | • Portrait of the Company (p. 9)   |   |
|                                   | 102-5      | Ownership and legal form                                     | • Portrait of the Company (p. 9)<br>• AR (Management Report) (pp. 3–63)  |   |
|                                   | 102-6      | Markets served   | • Portrait of the Company (p. 9)   |   |
|                                   | 102-7      | Scale of the organisation                                    | • Portrait of the Company (p. 9)<br>• AR (Management Report) (pp. 3–63)  |   |
|                                   | 102-8      | Information on employees and other workers                   | • Employer (p. 44)<br>• Table of Key Figures for Employees (pp. 110–113)   | Seasonal fluctuations and a breakdown by contract workers are not relevant. This applies to all the employee figures. |
|                                   | 102-9      | Supply chain   | • Supplier Management (p. 49)<br>• Table of Key Figures for Supply Chain (p. 109)  |   |
|                                   | 102-10     | Significant changes to the organization and its supply chain | • AR (Consolidated Financial Statements) (pp. 64–132)<br>• AR (Management Declaration) (pp. 152–157)   |   |
|                                   | 102-11     | Precautionary Principle or approach                          | • CR Strategy (p. 14f.)<br>• Environmental Management (p. 71 f.)   |   |
|                                   | 102-12     | External initiatives   | • Supplier Management (p. 46, 48)<br>• Compliance (pp. 32–34)<br>• Data Protection and Information Security (p. 68)<br>• SDG Declaration (p. 93) |   |
|                                   | 102-13     | Memberships of associations                                  | • Environmental Management (p. 71)<br>• Memberships (p. 118 f.)  |   |



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STRATEGY

|                                   |        |                                      |  |
|-----------------------------------|--------|--------------------------------------|--|
| GRI 102: General disclosures 2016 | 102-14 | Statement from senior decision-maker | • Foreword (p. 5 f.)   |
|                                   | 102-15 | Key impacts, risks, and opportunity  | • On the Status of the Digital Transformation (p. 7)<br>• CR Strategy (p. 14 f.)<br>• AR (Management Report) (pp. 3–63)<br>• Financial Climate Risks (p. 90) |

ETHICS AND INTEGRITY

|                                   |        |   |   |
|-----------------------------------|--------|---|---|
| GRI 102: General disclosures 2016 | 102-16 | Values, principles, standards, and norms of behaviour | • Compliance (p. 32–34)<br>• AR (Management Declaration) (pp. 152–157)  |
|                                   | 102-17 | Mechanisms for advice and concerns about ethics       | • Compliance (pp. 32–34)<br>• AR (Corporate Governance Report) (p. 149 f.)<br>• AR (Management Declaration) (pp. 152–157) |

GOVERNANCE

|                                   |  |   |  |
|-----------------------------------|--|---|--|
| GRI 102: General disclosures 2016 | 102-18   | Governance structure  | • CR Management (p. 16 f.)<br>• AR (Management Report) (pp. 3–63)<br>• AR (Management Declaration) (pp. 152–157)   |
|                                   | 102-19   | Delegating authority  | • CR Management (p. 16 f.)<br>• AR (Management Report) (pp. 3–63)  |
|                                   | 102-20   | Executive-level responsibility for economic, environmental, and social topics | • CR Management (p. 16 f.)<br>• Compliance (p. 32)   |
|                                   | 102-21   | Consulting stakeholders on economic, environmental, and social topics         | • CR Management (p. 16 f.)<br>• Compliance (p. 33 f.)  |
|                                   | 102-22   | Composition of the highest governance body and its committees                 | • AR (Management Declaration) (pp. 152–157)  |
|                                   | 102-23   | Chair of the highest governance body  | • AR (Management Declaration) (pp. 152–157)<br>• AR (Corporate Governance Report) (p. 149 f.)  |
|                                   | 102-24   | Nominating and selecting the highest governance body                          | • AR (Supervisory Board Report) (pp. 141–147)<br>• AR (Management Declaration) (pp. 152–157)   |
|                                   | 102-25   | Conflicts of interest   | • AR (Consolidated Financial Statements) (pp. 64–132)<br>• AR (Supervisory Board Report) (pp. 141–147)<br>• AR (Corporate Governance Report) (p. 149 f.) |
|                                   | 102-26   | Role of highest governance body in setting purpose, values, and strategy      | • CR Management (p. 16)<br>• AR (Supervisory Board Report) (pp. 141–147)<br>• AR (Management Declaration) (p. 149 f.)                                    |
| 102-27                            | Collective knowledge of highest governance body                      | • AR (Corporate Governance Report) (p. 149 f.)                                |  |
| 102-28                            | Evaluating the highest governance body's performance                 | • AR (Corporate Governance Report) (p. 149 f.)                                |  |
| 102-29                            | Identifying and managing economic, environmental, and social impacts | • AR (Management Report) (pp. 3–63)<br>• Non-Financial Report (pp. 5–22)      |  |



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|--------|--|--|---|
| 102-30 | Effectiveness of risk management processes                 | <ul style="list-style-type: none"> <li>AR (Management Report) (pp. 3–63)</li> </ul>  |   |
| 102-31 | Review of economic, environmental, and social topics       | <ul style="list-style-type: none"> <li>CR Management (p. 16 f.)</li> <li>AR (Management Report) (pp. 3–63)</li> <li>Financial Climate Risks (p. 90 f.)</li> </ul>  |   |
| 102-32 | Highest governance body's role in sustainability reporting | The CR strategy is approved by the Management Board once it has been reviewed. The CR department implements the CR reporting on the material topics on the basis of the CR strategy. The Management Board approves the CR Report following review.   |   |
| 102-33 | Communicating critical concerns                            | <ul style="list-style-type: none"> <li>AR (Management Declaration) (pp. 152–157)</li> <li>AR (Corporate Governance Report) (p. 149 f.)</li> </ul>  |   |
| 102-34 | Nature and total number of critical concerns               |  | The information is not available for the period under review. |
| 102-35 | Remuneration policies                                      | <ul style="list-style-type: none"> <li>AR (Management Report) (pp. 3–63)</li> </ul> <p>With New Reward, the organically developed heterogeneous landscape of various remuneration systems is being superseded by a wide variety of elements. The new remuneration model is clear, fair, attractive and geared to Telefónica Germany GmbH &amp; Co. OHG. One aspect of the new remuneration system is clear Telefónica-specific career bands and levels: each salary band represents a career level. Clearly defined and transparent classification criteria make development within the salary bands and beyond them possible at the same time. This also makes it obvious what requirements are relevant for the next development steps. Senior experts and the majority of executives receive a bonus in addition to their basic salary; this bonus is linked to corporate targets. Commission is, however, planned for marketing staff.</p> |   |
| 102-36 | Process for determining remuneration                       | <ul style="list-style-type: none"> <li>AR (Management Declaration) (pp. 152–157)</li> <li>AR (Management Report) (pp. 3–63)</li> </ul>   |   |
| 102-37 | Stakeholders' involvement in remuneration                  | <ul style="list-style-type: none"> <li>AR (Management Declaration) (pp. 152–157)</li> <li>AR (Management Report) (pp. 45–57)</li> </ul>  |   |
| 102-38 | Annual total compensation ratio                            |  | The information is not available for the period under review. |
| 102-39 | Percentage increase in annual total compensation ratio     |  | The information is not available for the period under review. |



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STAKEHOLDER INVOLVEMENT

|                                   |        |  |   |
|-----------------------------------|--------|--|---|
| GRI 102: General disclosures 2016 | 102-40 | List of stakeholder groups                   | <ul style="list-style-type: none"> <li>Stakeholder Engagement (p. 19)</li> </ul>  |
|                                   | 102-41 | Collective bargaining agreements             | <ul style="list-style-type: none"> <li>Table of Key Figures for Employees (p. 111)</li> </ul>   |
|                                   | 102-42 | Identifying and selecting stakeholder groups | <ul style="list-style-type: none"> <li>Stakeholder Engagement (p. 18, 20)</li> </ul>  |
|                                   | 102-43 | Approach to stakeholder engagement           | <ul style="list-style-type: none"> <li>Stakeholder Engagement (p. 18, 20 f.)</li> <li>Customer Satisfaction (pp. 25–30)</li> <li>Employer (pp. 36–41, 43)</li> <li>Data Protection and Information Security (pp. 66–68)</li> <li>Environmental Management (p. 80 f.)</li> </ul> |
|                                   | 102-44 | Key topics and concerns raised               | <ul style="list-style-type: none"> <li>Stakeholder Engagement (pp. 18, 20–22)</li> </ul>  |

REPORTING METHOD

|                                   |        |  |   |
|-----------------------------------|--------|--|---|
| GRI 102: General disclosures 2016 | 102-45 | Entities included in the consolidated financial statements | <ul style="list-style-type: none"> <li>AR (Consolidated Financial Statements) (pp. 64–132)</li> </ul>   |
|                                   | 102-46 | Defining report content and topic boundaries               | <ul style="list-style-type: none"> <li>About this Report (p. 2)</li> <li>CR Strategy (p. 14 f.)</li> <li>Materiality according to GRI (pp. 85–87)</li> <li>ESG Ratings &amp; Finance (p. 92)</li> </ul> |
|                                   | 102-47 | List of material topics                                    | <ul style="list-style-type: none"> <li>CR Strategy (p. 14 f.)</li> <li>Materiality according to GRI (p. 85–87)</li> </ul>   |
|                                   | 102-48 | Restatements of information                                | <ul style="list-style-type: none"> <li>Table of Key Figures (p. 113 f.)</li> <li>Energy &amp; CO<sub>2</sub> Reduction (p. 78)</li> <li>Responsible Business Plan 2020: Status 2019 (p. 102)</li> </ul> |
|                                   | 102-49 | Changes in reporting                                       | None  |
|                                   | 102-50 | Reporting period   | <ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>  |
|                                   | 102-51 | Date of most recent report                                 | <ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>  |
|                                   | 102-52 | Reporting cycle  | <ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>  |
|                                   | 102-53 | Contact point for questions regarding the report           | <ul style="list-style-type: none"> <li>About this Report (p. 2)</li> <li>Imprint (p. 139)</li> </ul>  |
|                                   | 102-54 | Claims of reporting in accordance with the GRI Standards   | <ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>  |
|                                   | 102-55 | GRI Content Index  | <ul style="list-style-type: none"> <li>GRI Content Index (pp. 120–135)</li> </ul>   |
|                                   | 102-56 | External assurance   | <ul style="list-style-type: none"> <li>Independent Assurance Report (pp. 136–138)</li> </ul>  |

GRI 200: ECONOMIC

ECONOMIC PERFORMANCE

|                                   |       |  |   |
|-----------------------------------|-------|--|---|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>                                |
|                                   | 103-2 | The management approach and its components         | <ul style="list-style-type: none"> <li>Business Strategy (p. 12 f.)</li> <li>AR (Management Report) (pp. 3–63)</li> </ul> |
|                                   | 103-3 | Evaluation of the management approach              | <ul style="list-style-type: none"> <li>Business Strategy (p. 13)</li> <li>AR (Management Report) (pp. 3–63)</li> </ul>    |



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|------------------------------------|-------|--|---|
| GRI 201: Economic performance 2016 | 201-1 | Direct economic value generated and distributed                                | <ul style="list-style-type: none"> <li>Table of Key Economic Figures (p. 109)</li> <li>AR (Consolidated Financial Statements) (pp. 64–132)</li> </ul> |
|                                    | 201-2 | Financial implications and other risks and opportunities due to climate change | Up to now, the financial impacts of climate change have been low for the Telefónica Deutschland Group and are therefore not reported on in detail.    |
|                                    | 201-3 | Defined benefit plan obligations and other retirement plans                    | <ul style="list-style-type: none"> <li>AR (Consolidated Financial Statements) (pp. 64–132)</li> </ul>   |
|                                    | 201-4 | Financial assistance received from government                                  | <ul style="list-style-type: none"> <li>AR (Management Report) (pp. 3–63)</li> </ul>   |

INDIRECT ECONOMIC IMPACTS

|   |       |  |  |
|---|-------|--|--|
| GRI 103: Management approach 2016       | 103-1 | Explanation of the material topic and its boundary | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |
|   | 103-2 | The management approach and its components         | <ul style="list-style-type: none"> <li>Business Strategy (p. 12 f.)</li> <li>Sustainable Innovations and Products (pp. 53–56)</li> </ul> |
|   | 103-3 | Evaluation of the management approach              | <ul style="list-style-type: none"> <li>Business Strategy (p. 13)</li> <li>Sustainable Innovations and Products (pp. 53–56)</li> </ul>    |
| GRI 203: Indirect economic impacts 2016 | 203-1 | Infrastructure investments and services supported  | <ul style="list-style-type: none"> <li>Business Strategy (p. 13f.)</li> <li>Sustainable Innovations and Products (pp. 53–56)</li> </ul>  |
|   | 203-2 | Significant indirect economic impacts              | <ul style="list-style-type: none"> <li>Business Strategy (p. 13f.)</li> <li>Sustainable Innovations and Products (pp. 53–56)</li> </ul>  |

PROCUREMENT PRACTICES

|                                     |       |  |   |
|-------------------------------------|-------|--|---|
| GRI 103: Management approach 2016   | 103-1 | Explanation of the material topic and its boundary | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>  |
|                                     | 103-2 | The management approach and its components         | <ul style="list-style-type: none"> <li>Supplier Management (p. 46f., 49 f.)</li> </ul>  |
|                                     | 103-3 | Evaluation of the management approach              | <ul style="list-style-type: none"> <li>Supplier Management (p. 46 f., 49 f.)</li> </ul>   |
| GRI 204: Procurement practices 2016 | 204-1 | Proportion of spending on local suppliers          | <ul style="list-style-type: none"> <li>Table of Key Figures for Supply Chain (p. 109)</li> </ul> <p>The term "local suppliers" covers all domestic suppliers of the Telefónica Deutschland Group.</p> |

ANTI-CORRUPTION

|                                   |       |  |  |
|-----------------------------------|-------|--|--|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul> |
|                                   | 103-2 | The management approach and its components         | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> </ul>                   |
|                                   | 103-3 | Evaluation of the management approach              | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> </ul>                   |



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| GRI 205: Anti-corruption 2016           | 205-1 | Operations assessed for risks related to corruption                             | <ul style="list-style-type: none"> <li>Compliance (p. 33)</li> </ul>  |  |
|   | 205-2 | Communication and training about anti-corruption policies and procedures        | <ul style="list-style-type: none"> <li>Compliance (p. 33 f.)</li> <li>Table of Key Figures for Compliance (p. 110)</li> </ul> <p>The employee training carried out on our Business Principles features content on the subject of anti-corruption. As of 31 December 2019 96.8% of employees have successfully completed "Business Principles" training, that covers the whole cycle of three years. This training was revised in 2019. Moreover, further information (e.g. on dealing with gifts) is available for employees on the intranet. As a rule, our business partners are obligated to comply with our Business Principles. Furthermore, since 2018 we have been requiring all of our suppliers to commit to a binding declaration of compliance with anti-corruption laws via our tendering platform.</p> | The necessary data for a breakdown by employee category are not captured in a system-related manner. |
|   | 205-3 | Confirmed incidents of corruption and actions taken                             | <ul style="list-style-type: none"> <li>Compliance (p. 32 f.)</li> </ul>   |  |
| <b>ANTI-COMPETITIVE BEHAVIOR</b>        |       |   |   |  |
| GRI 103: Management approach 2016       | 103-1 | Explanation of the material topic and its boundary                              | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>  |  |
|   | 103-2 | The management approach and its components                                      | <ul style="list-style-type: none"> <li>Compliance (p. 32 f.)</li> </ul>   |  |
|   | 103-3 | Evaluation of the management approach   | <ul style="list-style-type: none"> <li>Compliance (p. 32 f.)</li> </ul>   |  |
| GRI 206: Anti-competitive behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | <ul style="list-style-type: none"> <li>During the reporting period, no proceedings were initiated against the Telefónica Deutschland Group on the basis of anti-competitive behaviour, cartelisation or monopolisation.</li> </ul>  |  |
| <b>GRI 300: ENVIRONMENTAL</b>           |       |   |   |  |
| <b>MATERIALS</b>                        |       |   |   |  |
| GRI 103: Management approach 2016       | 103-1 | Explanation of the material topic and its boundary                              | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>  |  |
|   | 103-2 | The management approach and its components                                      | <ul style="list-style-type: none"> <li>Environmental Management (p. 71 f.)</li> <li>Conservation of Resources (p. 80 f.)</li> </ul>   |  |
|   | 103-3 | Evaluation of the management approach   | <ul style="list-style-type: none"> <li>Environmental Management (p. 71 f.)</li> <li>Conservation of Resources (p. 80 f.)</li> </ul>   |  |

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|                                   |       |  |  |  |
|-----------------------------------|-------|--|--|--|
| GRI 301: Materials 2016           | 301-1 | Materials used by weight or volume                         | –  | Not relevant because the Telefónica Deutschland Group is not a manufacturing business.   |
|                                   | 301-2 | Recycled input materials used                              | –  | Not relevant because the Telefónica Deutschland Group is not a manufacturing business.   |
|                                   | 301-3 | Reclaimed products   | <ul style="list-style-type: none"> <li>• Conservation of Resources (p. 80 f.)</li> <li>• Table of Key Figures for the Environment (p. 115)</li> </ul> <p>The disclosure 301-3 was adjusted to the concrete conditions of the Telefónica Deutschland Group. The reporting refers to our mobile phone recycling programme, which is not solely based on taking back our own phones. More information about mobile-phone recycling can also be found here: <a href="http://www.telefonica.de/handyrecycling">www.telefonica.de/handyrecycling</a></p> | The Telefónica Deutschland Group does not report on the packaging of mobile phones because it is not a manufacturing business.   |
| <b>ENERGY</b>                     |       |  |  |  |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary         | • Materiality according to GRI (pp. 85–87)   |  |
|                                   | 103-2 | The management approach and its components                 | <ul style="list-style-type: none"> <li>• Environmental Management (p. 71f.)</li> <li>• Energy &amp; CO<sub>2</sub> Reduction (p. 74 f.)</li> </ul>   |  |
|                                   | 103-3 | Evaluation of the management approach                      | <ul style="list-style-type: none"> <li>• Environmental Management (p. 71 f.)</li> <li>• Energy &amp; CO<sub>2</sub> Reduction (p. 74 f.)</li> </ul>  |  |
| GRI 302: Energy 2016              | 302-1 | Energy consumption within the organization                 | <ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (p. 74 f., 77)</li> <li>• Table of Key Figures for the Environment (p. 113)</li> </ul> <p>The Telefónica Deutschland Group does not sell energy.</p>  | Cooling energy is integrated into Scope 1 emissions given these emissions are comparatively low. Steam consumption and thermal energy are not relevant because the Telefónica Deutschland Group is not a manufacturing business and electricity consumption accounts for 96 % of energy expenditure. |
|                                   | 302-2 | Energy consumption outside of the organization             | –  | Not relevant for internal corporate governance and not demanded by stakeholders.   |
|                                   | 302-3 | Energy intensity   | <ul style="list-style-type: none"> <li>• Environmental Management (p. 71 f.)</li> <li>• Table of Key Figures for the Environment (p. 114)</li> </ul>   |  |
|                                   | 302-4 | Reduction of energy consumption                            | • Energy & CO <sub>2</sub> Reduction (p. 74 f., 77)  |  |
|                                   | 302-5 | Reductions in energy requirements of products and services | • Energy & CO <sub>2</sub> Reduction (p. 74 f., 77)  |  |



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EMISSIONS

|                                   |       |  |   |   |
|-----------------------------------|-------|--|---|---|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary   | • Materiality according to GRI (pp. 85–87)  |   |
|                                   | 103-2 | The management approach and its components   | • Environmental Management (p. 71 f.)<br>• Energy & CO <sub>2</sub> Reduction (p. 74 f.)  |   |
|                                   | 103-3 | Evaluation of the management approach  | • Environmental Management (p. 71 f.)<br>• Energy & CO <sub>2</sub> Reduction (p. 74f.)   |   |
| GRI 302: Emissions 2016           | 305-1 | Direct (Scope 1) GHG emissions   | • Energy & CO <sub>2</sub> Reduction (p. 78)<br>• Table of Key Figures for the Environment (p. 114)<br>• Table of Key Figures for the Environment (p. 91) |   |
|                                   | 305-2 | Energy indirect (Scope 2) GHG emissions  | • Energy & CO <sub>2</sub> Reduction (p. 78)<br>• Table of Key Figures for the Environment (p. 114)<br>• Table of Key Figures for the Environment (p. 91) |   |
|                                   | 305-3 | Other indirect (Scope 3) GHG emissions   | • Energy & CO <sub>2</sub> Reduction (p. 78)<br>• Table of Key Figures for the Environment (p. 114)<br>• Table of Key Figures for the Environment (p. 91) |   |
|                                   | 305-4 | GHG emissions intensity  | • Table of Key Figures for the Environment (p. 114)<br>• Table of Key Figures for the Environment (p. 91)   |   |
|                                   | 305-5 | Reduction of GHG emissions   | • Energy & CO <sub>2</sub> Reduction (p. 75, 78)<br>• Table of Key Figures for the Environment (p. 91)  |   |
|                                   | 305-6 | Emissions of ozone-depleting substances (ODS)  | –   | Not relevant. Emissions are recorded but due to their volume they are not material. |
|                                   | 305-7 | Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ) and other significant air emissions | –   | Not relevant. Emissions are recorded but due to their volume they are not material. |

ENVIRONMENTAL COMPLIANCE

|  |       |  |   |  |
|--|-------|--|---|--|
| GRI 103: Management approach 2016      | 103-1 | Explanation of the material topic and its boundary     | • Materiality according to GRI (pp. 85–87)  |  |
|  | 103-2 | The management approach and its components             | • Environmental Management (p. 71 f.)   |  |
|  | 103-3 | Evaluation of the management approach                  | • Environmental Management (p. 71 f.)   |  |
| GRI 307: Environmental compliance 2016 | 307-1 | Non-compliance with environmental laws and regulations | Compliance with environmental regulations is overseen via the implemented management systems ISO 14001 and ISO 50001 within the company.<br><br>No considerable fines or non-monetary sanctions were imposed on the Telefónica Deutschland Group during the reporting period due to failure to comply with environmental-protection laws and regulations. |  |

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SUPPLIER ENVIRONMENTAL ASSESSMENT

|   |       |  |  |   |
|---|-------|--|--|---|
| GRI 103: Management approach 2016               | 103-1 | Explanation of the material topic and its boundary                   | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |   |
|   | 103-2 | The management approach and its components                           | <ul style="list-style-type: none"> <li>Supplier Management (p. 46 f., 49 f.)</li> </ul>  |   |
|   | 103-3 | Evaluation of the management approach                                | <ul style="list-style-type: none"> <li>Supplier Management (p. 46 f., 49 f.)</li> </ul>  |   |
| GRI 308: Supplier environmental assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria        |  | The percentage of new suppliers that were screened using environmental criteria is not ascertained. We only report the number of supplier assessments (SuMa). |
|   | 308-2 | Negative environmental impacts in the supply chain and actions taken | <ul style="list-style-type: none"> <li>Supplier Management (p. 46 f., 49 f.)</li> <li>Environmental Management (p. 71 f.)</li> </ul> <p>No considerable actual or potentially negative environmental impacts were determined among individual suppliers.</p> |   |

**GRI 400: SOCIAL**

EMPLOYMENT

|                                   |       |  |  |  |
|-----------------------------------|-------|--|--|--|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul> |  |
|                                   | 103-2 | The management approach and its components         | <ul style="list-style-type: none"> <li>Employer (pp. 36–38)</li> </ul>                     |  |
|                                   | 103-3 | Evaluation of the management approach              | <ul style="list-style-type: none"> <li>Employer (pp. 36–38)</li> </ul>                     |  |





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|--|-------|--|--|
| GRI 401: Employment 2016                 | 401-1 | New employee hires and employee turnover   | • Table of Key Figures for Employees (p. 112)  |
|  | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | No distinction is made for:<br>Group accident insurance (incl. disability and invalidity coverage), healthcare, parental leave, stock ownership, allowances for food, use of company facilities (e.g. canteen, sports programme, employer's contributions to tax-deductible savings schemes)<br><br>For employees with contracts of indefinite duration:<br>Access to retirement provision because of the vesting period of five years.<br><br>Most fringe benefits are offered to part-time employees based on their pro-rata level of employment or part-time salary. There are benefits that are provided to part-time employees and full-time employees to the same extent (e.g. allowances for travel to and from work, calling credit for personal use). |
|  | 401-3 | Parental leave   | • Table of Key Figures for Employees (p. 112)<br><br>In accordance with Section 15 of the Bundeselternzeit- und Elternzeitgesetz (Federal Parental Allowance and Parental Leave Act [BEEG]), all parents in Germany are entitled to parental leave in order to look after and raise a child until he/she turns three.  |
| <b>LABOR/MANAGEMENT RELATIONS</b>        |       |  |  |
| GRI 103: Management approach 2016        | 103-1 | Explanation of the material topic and its boundary   | • Materiality according to GRI (pp. 85–87)   |
|  | 103-2 | The management approach and its components   | • Employer (pp. 36–38)   |
|  | 103-3 | Evaluation of the management approach  | • Employer (pp. 36–38)   |
| GRI 402: Labor/management relations 2016 | 402-1 | Minimum notice periods regarding operational changes   | Implemented according to a resolution passed by the responsible works council bodies in a procedure agreed with these with notice periods agreed jointly that are variable depending on the planned change.  |
| <b>OCCUPATIONAL HEALTH AND SAFETY</b>    |       |  |  |
| GRI 103: Management approach 2016        | 103-1 | Explanation of the material topic and its boundary   | • Materiality according to GRI (pp. 85–87)   |
|  | 103-2 | The management approach and its components   | • Employer (p. 42)   |
|  | 103-3 | Evaluation of the management approach  | • Employer (p. 42)   |

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|--|-------|---|---|--|
| GRI 403: Occupational health and safety 2016 | 403-1 | Workers representation in formal joint management-worker health and safety committees   | Employer-worker health and safety committees typically operate in every subsidiary at company level in accordance with the legal regulations (e.g. health and safety committees); as a result of the necessary co-determination rights, however, this is also partly the case at local level per company and there is a nationwide body (Health Forum) at Group level initiated by the employer's side; percentage of total workforce represented in committees and bodies for occupational safety: approximately 1.8% in the committees that represent 100% of the employees |  |
|  | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | <ul style="list-style-type: none"> <li>Table of Key Figures for Employees (p. 113)</li> </ul> <p>As far as registered workplace accidents were concerned, these were primarily sustained on the journey to or from work.</p>  |  |
|  | 403-3 | Workers with high incidence or high risk of diseases related to their occupation  |   | Not material since there are no groups of employees that are subject to an occupational disease.   |
|  | 403-4 | Health and safety topics covered in formal agreements with trade unions   | Agreements are covered by formal internal agreements dealing with health and safety topics.   | Due to missing data, the percentage of occupational health and safety topics which are covered by the formal internal agreements cannot be reported for the 2019 reporting period. |
| <b>TRAINING AND EDUCATION</b>                |       |   |   |  |
| GRI 103: Management approach 2016            | 103-1 | Explanation of the material topic and its boundary  | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>  |  |
|  | 103-2 | The management approach and its components  | <ul style="list-style-type: none"> <li>Employer (pp. 36–38, 41)</li> </ul>  |  |
|  | 103-3 | Evaluation of the management approach   | <ul style="list-style-type: none"> <li>Employer (pp. 36–38, 41)</li> </ul>  |  |



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|---|-------|--|--|---|
| GRI 404: Training and education 2016          | 404-1 | Average hours of training per year per employee                                      | 160,706 training hours in 2019. A group of 8,443 employees (PIP) yielded an average of 19 hours of training per employee in 2019.  | The data necessary for a breakdown by gender and by employee category are not recorded due to system-technical limitations.         |
|   | 404-2 | Programs for upgrading employee skills and transition assistance programs            | • Employer (pp. 39–43)   |   |
|   | 404-3 | Percentage of employees receiving regular performance and career development reviews | The foundations for introducing a performance management process were laid in the reporting year. The dialogue between executives and employees has been redefined with different feedback initiatives incl. a feedback guideline. The Telefónica Deutschland Group recommends that executives and employees meet for a feedback discussion at least once per quarter. Next year, discussions will be held with the works council regarding the introduction of a dialogue format that is more comprehensive and is modern. For executives, the Telefónica, S.A. Group continues to put a global system at their disposal. | The share of employees who receive a regular assessment of their performance during the reporting period is currently not recorded. |
| <b>DIVERSITY AND EQUAL OPPORTUNITY</b>        |       |  |  |   |
| GRI 103: Management approach 2016             | 103-1 | Explanation of the material topic and its boundary                                   | • Materiality according to GRI (pp. 85–87)   |   |
|   | 103-2 | The management approach and its components   | • Employer (pp. 36–38, 41)   |   |
|   | 103-3 | Evaluation of the management approach  | • Employer (pp. 36–38, 41)   |   |
| GRI 405: Diversity and equal opportunity 2016 | 405-1 | Diversity of governance bodies and employees   | • Employer (pp. 41, 43)<br>• Table of Key Figures for Employees (p. 111f.)<br>• Governance Bodies: AR (Corporate Governance Report) (pp. 152–155)  |   |
|   | 405-2 | Ratio of basic salary and remuneration of women to men                               | • Table of Key Figures for Employees (p. 112)  | The information respectively refers to the entire Telefónica Deutschland Group.   |



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NON-DISCRIMINATION

|                                   |       |  |   |
|-----------------------------------|-------|--|---|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary       | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>        |
|                                   | 103-2 | The management approach and its components               | <ul style="list-style-type: none"> <li>Compliance (p. 33 f.)</li> <li>Employer (p. 41)</li> </ul> |
|                                   |       |  | Component of our compliance management system   |
| GRI 103: Management approach 2016 | 103-3 | Evaluation of the management approach                    | <ul style="list-style-type: none"> <li>Compliance (p. 33)</li> <li>Employer (p. 41)</li> </ul>    |
|                                   |       |  | Component of our compliance management system   |
| GRI 406: Non-discrimination 2016  | 406-1 | Incidents of discrimination and corrective actions taken | <ul style="list-style-type: none"> <li>Table of Key Figures for Compliance (p. 110)</li> </ul>    |

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

|  |       |  |  |
|--|-------|--|--|
| GRI 103: Management approach 2016                              | 103-1 | Explanation of the material topic and its boundary   | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |
|  | 103-2 | The management approach and its components   | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> <li>Supplier Management (p. 46 f., 49 f.)</li> </ul>  |
|  |       |  | Component of our compliance management system  |
| GRI 103: Management approach 2016                              | 103-3 | Evaluation of the management approach  | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> <li>Supplier Management (p. 46, 49 f.)</li> </ul>   |
|  |       |  | Component of our compliance management system  |
| GRI 407: Freedom of association and collective bargaining 2016 | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | The right to freedom of association and collective bargaining is laid down in German law. To minimise any risk posed to freedom of association and collective bargaining in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents posing a risk to freedom of assembly or to collective bargaining are known for the reporting period. |

CHILD LABOR

|                                   |       |   |  |
|-----------------------------------|-------|---|--|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary                        | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |
|                                   | 103-2 | The management approach and its components                                | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> <li>Supplier Management (p. 46 f., 49)</li> </ul>   |
|                                   |       |   | Component of our compliance management system  |
| GRI 103: Management approach 2016 | 103-3 | Evaluation of the management approach                                     | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> <li>Supplier Management (p. 46, 49)</li> </ul>  |
|                                   |       |   | Component of our compliance management system  |
| GRI 408: Child labor 2016         | 408-1 | Operations and suppliers at significant risk for incidents of child labor | To minimise the risk of forced labour in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents of forced labour during the reporting period are known to us. |



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**FORCED OR COMPULSORY LABOR**

|  |       |  |  |   |
|--|-------|--|--|---|
| GRI 103: Management approach 2016        | 103-1 | Explanation of the material topic and its boundary                                       | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |   |
|  | 103-2 | The management approach and its components   | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> <li>Supplier Management (p. 46 f., 49)</li> </ul>   | Component of our compliance management system |
|  | 103-3 | Evaluation of the management approach  | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> <li>Supplier Management (p. 46, 49)</li> </ul>  | Component of our compliance management system |
| GRI 409: Forced or compulsory labor 2016 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | To minimise the risk of child labour in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents of child labour during the reporting period are known to us. |   |

**HUMAN RIGHTS COMPLIANCE**

|                                       |       |  |  |   |
|---------------------------------------|-------|--|--|---|
| GRI 103: Management approach 2016     | 103-1 | Explanation of the material topic and its boundary   | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |   |
|                                       | 103-2 | The management approach and its components   | <ul style="list-style-type: none"> <li>CR Topics from a Human Rights Perspective (p. 88f.)</li> <li>Compliance (p. 34)</li> <li>Supplier Management (pp. 46–49)</li> </ul>   |   |
|                                       | 103-3 | Evaluation of the management approach  | <ul style="list-style-type: none"> <li>CR Topics from a Human Rights Perspective (p. 88 f.)</li> <li>Compliance (p. 34)</li> <li>Supplier Management (p. 46, 48 f.)</li> </ul>   |   |
| GRI 412: Human rights assessment 2016 | 412-1 | Premises at which it was checked that human rights are being complied with or a human rights impact analysis was carried out | All Telefónica Deutschland Group premises are in Germany. On the basis of Germany's legal framework, neither checks for compliance with human rights nor human rights impact analyses are performed currently.   |   |
|                                       | 412-2 | Employee training on human rights policies or procedures   | Our training on the Business Principles contains information on human rights and it is compulsory for all employees to complete this every three years. Telefónica Deutschland reports the percentage and number of employees who have completed the Business Principles training. | We are checking whether the number of training hours will be reported in the coming years.  |
|                                       | 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening   | <ul style="list-style-type: none"> <li>CR Topics from a Human Rights Perspective (p. 88 f.)</li> <li>Supplier Management (p. 46, 48)</li> </ul>  | Our suppliers accept the Supply Chain Sustainability Policy, which contains human rights aspects. Beyond this, no clauses specific to human rights are integrated into contracts. |



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LOCAL COMMUNITIES

|                                   |       |  |  |
|-----------------------------------|-------|--|--|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary                                       | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |
|                                   | 103-2 | The management approach and its components   | <ul style="list-style-type: none"> <li>Digital Inclusion (pp. 61–64)</li> <li>For measures relating to children and young people, see Protection of Children and Young People (p. 69)</li> </ul> |
|                                   | 103-3 | Evaluation of the management approach  | <ul style="list-style-type: none"> <li>Digital Inclusion (pp. 61–64)</li> <li>For measures relating to children and young people, see Protection of Children and Young People (p. 69)</li> </ul> |
| GRI 413: Local communities 2016   | 413-1 | Operations with local community engagement, impact assessments, and development programs | <ul style="list-style-type: none"> <li>Digital Inclusion (pp. 61–64)</li> </ul> <p>Our programmes are being rolled out throughout Germany.</p>   |
|                                   | 413-2 | Operations with significant actual and potential negative impacts on local communities   | <ul style="list-style-type: none"> <li>Sustainable Innovations and Products (pp. 53–56)</li> </ul>   |

SUPPLIER SOCIAL ASSESSMENT

|  |       |   |  |
|--|-------|---|--|
| GRI 103: Management approach 2016        | 103-1 | Explanation of the material topic and its boundary            | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>   |
|  | 103-2 | The management approach and its components                    | <ul style="list-style-type: none"> <li>Supplier Management (p. 46 f., 49 f.)</li> </ul>  |
|  | 103-3 | Evaluation of the management approach                         | <ul style="list-style-type: none"> <li>Supplier Management (p. 46 f., 49 f.)</li> </ul>  |
| GRI 414: Supplier social assessment 2016 | 414-1 | New suppliers that were screened using social criteria        | <p>The percentage of new suppliers that were screened using environmental criteria is not ascertained. We only report the number of supplier assessments (SuMa).</p>                           |
|  | 414-2 | Negative social impacts in the supply chain and actions taken | <ul style="list-style-type: none"> <li>Supplier Management (p. 50)</li> </ul> <p>No considerable actual or potentially negative social impacts were determined among individual suppliers.</p> |

PUBLIC POLICY

|                                   |       |  |  |
|-----------------------------------|-------|--|--|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>     |
|                                   | 103-2 | The management approach and its components         | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> </ul>                       |
|                                   | 103-3 | Evaluation of the management approach              | <ul style="list-style-type: none"> <li>Compliance (pp. 32–34)</li> </ul>                       |
| GRI 415: Public policy 2016       | 415-1 | Political contributions                            | <ul style="list-style-type: none"> <li>Table of Key Figures for Compliance (p. 110)</li> </ul> |



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CUSTOMER HEALTH AND SAFETY

|  |       |   |   |  |
|--|-------|---|---|--|
| GRI 103: Management approach 2016        | 103-1 | Explanation of the material topic and its boundary  | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>  |  |
|  | 103-2 | The management approach and its components  | <ul style="list-style-type: none"> <li>Protection and Information Security (pp. 66–68)</li> <li>For processes and measures relating to children and young people, see Protection of Children and Young people (p. 69)</li> <li>Mobile Communication and Health (p. 82 f.)</li> </ul>  |  |
|  | 103-3 | Evaluation of the management approach   | <ul style="list-style-type: none"> <li>Data Protection and Information Security (pp. 66–68)</li> <li>For processes and measures relating to children and young people, see Protection of Children and Young people (p. 69)</li> <li>Mobile Communication and Health (p. 82 f.)</li> </ul>   |  |
| GRI 416: Customer health and safety 2016 | 416-1 | Assessment of the health and safety impacts of product and service categories                 | <ul style="list-style-type: none"> <li>Mobile Communication and Health (p. 82 f.)</li> </ul> <p>Compliance with limits is checked by Germany's Federal Network Agency (BNetzA) at all masts. More information is available on the website of the Telefónica Deutschland Group, including a current list of mobile phone SAR values: <a href="http://www.telefonica.de/verantwortung/umwelt-und-klima-schuetzen/mobilfunk-gesundheit.html">www.telefonica.de/verantwortung/umwelt-und-klima-schuetzen/mobilfunk-gesundheit.html</a>.</p> |  |
|  | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | None  |  |

MARKETING AND LABELING

|                                      |       |   |   |  |
|--------------------------------------|-------|---|---|--|
| GRI 103: Management approach 2016    | 103-1 | Explanation of the material topic and its boundary                                  | <ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 85–87)</li> </ul>  |  |
|                                      | 103-2 | The management approach and its components  | <ul style="list-style-type: none"> <li>Data Protection and Information Security (pp. 66–68)</li> <li>For processes and measures relating to children and young people, see Protection of Children and Young People (p. 69)</li> </ul> |  |
|                                      | 103-3 | Evaluation of the management approach   | <ul style="list-style-type: none"> <li>Data Protection and Information Security (pp. 66–68)</li> <li>For processes and measures relating to children and young people, see Protection of Children and Young People (p. 69)</li> </ul> |  |
| GRI 417: Marketing and labeling 2016 | 417-1 | Requirements for product and service information and labeling                       | <ul style="list-style-type: none"> <li>Protection of Children and Young People (p. 69)</li> </ul>   | Further details are not applicable for telecommunications products/services. |
|                                      | 417-2 | Incidents of non-compliance concerning product and service information and labeling | There was one legal action here in 2019.  | Further details are not applicable for telecommunications products/services. |
|                                      | 417-3 | Incidents of non-compliance concerning marketing communications                     | <ul style="list-style-type: none"> <li>Table of Key Figures for Compliance, 9 justified objections to advertising conduct (p. 110)</li> </ul>   | Further details are not applicable for telecommunications products/services. |



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CUSTOMER PRIVACY

|                                   |       |  |  |
|-----------------------------------|-------|--|--|
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topic and its boundary   | • Materiality according to GRI (pp. 85–87)             |
|                                   | 103-2 | The management approach and its components   | • Data Protection and Information Security (pp. 66–68) |
|                                   | 103-3 | Evaluation of the management approach  | • Data Protection and Information Security (pp. 66–68) |
| GRI 418: Customer privacy 2016    | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | • Data Protection and Information Security (p. 67)     |

SOCIOECONOMIC COMPLIANCE

|  |       |  |  |
|--|-------|--|--|
| GRI 103: Management approach 2016      | 103-1 | Explanation of the material topic and its boundary                       | • Materiality according to GRI (pp. 85–87)   |
|  | 103-2 | The management approach and its components                               | • Compliance (pp. 32–34)   |
|  | 103-3 | Evaluation of the management approach                                    | • Compliance (pp. 32–34)   |
| GRI 419: Socioeconomic compliance 2016 | 419-1 | Non-compliance with laws and regulations in the social and economic area | In 2019 no proceedings were initiated on the basis of violation of the order on the means of providing proof as regards limiting exposure to electromagnetic fields (BEMFV). There were also no fines issued as a result in the year under review. |



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## Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information

### To Telefónica Deutschland Holding GmbH, Munich

We have performed a limited assurance engagement on the disclosures in the sustainability report of Telefónica Deutschland Holding AG, Munich (hereinafter: "the Company"), for the period from 1 January to 31 December 2019 (hereinafter: "Report").

### Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter: "GRI-Criteria").

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

### Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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### Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures in the Report based on the assurance engagement we have performed. Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January to 31 December 2019 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Identification of the likely risks of material misstatement of the Report under consideration of the GRI-Criteria
- Analytical evaluation of selected disclosures in the Report
- Inspection of additional documents and supportive systems
- Comparison of selected disclosures with corresponding data in the Group financial statement and the Group management report
- Evaluation of the presentation of selected sustainability information in the Report
- Use of the work of a practitioner's verification of energy consumption and greenhouse gas emission indicators according to ISO 14064.

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**Assurance Conclusion**

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January to 31 December 2019 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

**Intended Use of the Assurance Report**

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Munich, 14 May 2020

**PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft**

Michael Conrad  
Wirtschaftsprüfer  
(German Public Auditor)

ppa. Annette Daschner

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A great many employees of the Telefónica Deutschland Group contributed to the Corporate Responsibility Report 2019. We would be pleased to receive any feedback you might have and look forward to hearing from you.

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