O₂ Telefónica

Connecting people
Reliable.sustainable.inclusive

Contents

GRI 102-46; 102-50; 102-51; 102-52; 102-53; 102-54

About this 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, investors, policymakers, academia, non-governmental organisations (NGOs) and the interested public.

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 2021. 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 2021. This includes all companies that are 100% owned by Telefónica Germany GmbH & Co OHG. Deviating key figures are marked accordingly.

The copy deadline for the CR Report is 30 March 2022. This report was published in German and English at www.telefonica.de/responsibility ⬏ in May 2022.

Comprehensive reporting in accordance with the GRI Standards and the UNGC principles

This sustainability report is prepared in accordance with the GRI Standards "Comprehensive" option (see GRI content index and Global Compact progress report ⬏) and in line with the Sustainability Accounting Standards Board (SASB) frameworks (see

the "Frameworks" chapter and the SASB index ⬏) and the specifications of the Task Force on Climate-related Financial Disclosures (TCFD) (see the "Energy and CO_2" chapter and the TCFD index ⬏). We are also preparing for the requirements pursuant to the Supply Chain Due Diligence Act (LkSG) by reporting on our human rights due diligence. Since 2020 we have additionally been reporting in accordance with the principles of the United Nations Global Compact (UNGC). This report constitutes a Communication on Progress (CoP) ⬏. In this way, we are making a commitment to the UNGC's ten principles and undertake to realise these in the interests of governance for responsible corporate management. This is the first year in which we are reporting in accordance with the CDR Code of the Corporate Digital Responsibility Initiative ⬏, which was launched by the Federal Ministry of Justice and Consumer Protection (BMJV) together with businesses in 2018. With the implementation of our Responsible Business Plan 2025 we are likewise actively supporting the achievement of the UN's Sustainable Development Goals (SDGs).

The report content was chosen on the basis of the principle of materiality and takes into account our stakeholders' crucial expectations, the impact of our business activity and decisions relating to corporate strategy. The results of the 2020 materiality analysis were updated in 2021 and serve as the basis for sustainability reporting. The CR Report 2021 comprises the chapters "Principles of governance for responsible corporate management", "Customers and business partners", "Employees", "Climate and the environment" and "Society and digital inclusion" that provide information on our CR strategy, measures, results, targets and challenges. The "Facts and figures" chapter lists all the relevant key figures and explains how we

continuously evaluate our CR performance. We then present the frameworks we take into account in the orientation of our CR strategy and in our reporting. The sustainability report was audited by the external audit firm PricewaterhouseCoopers (PwC) in accordance with the ISAE 3000 (Revised) standard with limited assurance in accordance with the GRI criteria. The energy and CO_2 data and the calculations have also been verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U.

Report formats, reporting cycle and contact

We publish the CR Report annually. Readers with comments or questions can contact the Corporate Responsibility and Sustainability team at cr-de@telefonica.com ⬏.

For the Combined Separate Non-Financial Report, please refer to our Non-Financial Report, which has been available at www.telefonica.de/nfs ⬏ since 2 March 2022. We use this Non-Financial Report to meet our regulatory information and reporting obligations as per Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter the EU Taxonomy Regulation).

The 2021 Annual Report can be found at the following address: www.telefonica.de/annualreport ⬏.

GRI 102-14

UNGC-Principles 1, 2, 7, 8, 9, 10

Dear Readers,

The Telefónica Deutschland Group connects around 46 million people throughout Germany. We therefore have a particular responsibility for fair and respectful interaction in the digital world. We wish to expedite the sustainable and inclusive digitalisation of our society and economy. People are the highest ethical authority here. We were therefore one of the first companies in Germany to sign the corporate digital responsibility code of the Federal Government, thereby sending out a clear signal of digital corporate responsibility.

"We democratise access to a sustainable digital future to make day-to-day life better for everyone." This is our business purpose, which is at the core of our activities. Everyone should be able to participate in communication and digital achievements irrespective of their location, age, financial means or education. We now supply around 30 % of the German population with 5G and this will increase to 50 % by the end of 2022. The 5G network will be available throughout the country by the end of 2025. With our network expansion, attractive 5G tariffs and large data packages, we are playing a part in affording everyone access to high-tech digital communications. We reached some 6.5 million people with our digital skills programmes WAKE UP! and "Digital mobil im Alter" in 2021. We helped senior citizens take their first steps in the digital world and supported young people in dealing with cyberbullying.

People can rely on us and our network in times of crisis too. The COVID-19 pandemic demonstrates just how central the role of telecommunications is to our society and economy. Digital solutions are being used more and more for work, leisure, services and shopping, helping people and organisations to cope with the crisis better. Connectivity in particular has proven to be an important part of functioning daily life. At more than 2 billion gigabytes, the O_2 network handled the largest data volume of all the German mobile communications

networks in the second year of the pandemic. Even in these challenging times, our employees were there to reliably assist both private and business customers. The flood disaster in western Germany in the summer resulted in outages and energy supply disruptions. Our company's engineers and network service providers were involved in special efforts to reinstate mobile communications in order to quickly enable those affected to communicate with the outside world once again.

"We ensure that there is a reliable basic supply of digital services. In these unusual times, we have implemented extensive measures to meet the expectations of our many millions of customers, safeguard our network operations and protect our employees."

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

GRI 102-14

UNGC-Principles 1, 2, 7, 8, 9, 10

As a company and an employer with more than 7,400 employees, we have an important social responsibility with regard to equal opportunity. We have been recognised numerous times for our commitment to equality and inclusion. We were included in the highly regarded Bloomberg Gender-Equality Index (GEI) for the third consecutive year in 2021.

The assumption of responsibility for the environment is another of the Telefónica Deutschland Group's basic principles. According to a *Capital* ranking, we are among the top five climate-conscious companies in Germany and are ranked first among the telecommunications companies[1]. We still have our sights set on achieving net zero carbon emissions by 2025. What this means in concrete terms is that we will no longer be causing any greenhouse gas emissions as a company by then at the latest. 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. Our new circular economy concept broadens our commitment to a sustainable future.

In taking these steps, we want to improve our environmental footprint, do business sustainably and safeguard our ability to compete. In the ratings that are most important to us which consider the criteria in the environment, social and governance (ESG) areas, we are achieving good and increasingly very good scores. Among others, we are talking here about the ratings of Sustainalytics, MSCI, ISS-oekom and the Bloomberg GEI.

"We are approaching the topic with the mindset that technology must serve people and not vice versa. People are the highest ethical authority."

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

As a member of the United Nations Global Compact (UNGC), we are committed to its ten principles and undertake to realise these in the interests of governance for responsible corporate management. In particular, this means protecting human rights and combating climate change and corruption. Sustainability management is an integral part of our corporate strategy. The Responsible Business Plan 2025 is our management tool here and stipulates concrete targets by which we can be judged. We are living in times of great change. As we move into the digital future, we are putting our faith in close and trusting collaboration with you – true to the motto of "Interlinked digitally – connected sustainably".

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
Board member of Telefónica Deutschland
Holding AG

[1] Source: www.capital.de/wirtschaft-politik/deutschlands-klimabewusste-unternehmen-2022

GRI 102-1; 102-2; 102-3; 102-4; 102-5;
102-6; 102-7

Portrait of Telefónica Deutschland

The Telefónica Deutschland Group is one of Germany's three leading integrated network operators. 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 45.7 million mobile connections as of 31 December 2021 we are a leading provider in this market. In 2021, at EUR 5,492 million, mobile services were the most important revenue stream for the Telefónica Deutschland Group (70.7 % of the 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. The basis for this is our mobile communications network.

We offer nationwide fixed services to complement our mobile services. Our fixed line network customer base amounted to approximately 2.3 million at the 2021 year end. We also use a number of ways to sell a wide range of devices to our customers and to some extent also to our partners. The Telefónica Deutschland Group also sees

huge potential in the intelligent pooling of mobile communications products, mobile communications with Internet at home, and other services such as O_2 TV and O_2 Cloud. With DSL, access to a nationwide cable network, fibre optics and a powerful mobile communications network, we can offer every customer just the right form of Internet at home. As part of the Telefónica, S.A. Group, the Telefónica Deutschland Group's offerings for industrial customers also cover a diverse range of cloud services, the IoT and cybersecurity.

The Telefónica Deutschland Group generated combined revenues of EUR 7,765 million in the financial year 2021 (2020: EUR 7,532 million) and had 7,416 employees[1] (2020: 8,196 employees[2]).

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 communications and fixed line products with our core brand O_2. We appeal to major international corporations with the Telefónica brand's products and services.

We rely on complementary sales channels in order to serve the various customer needs in the best way possible. Our sales landscape includes not only direct sales channels, including our own shops, a countrywide network of independently operated franchise and premium partner shops, online sales and telesales, but also indirect sales channels, such as partnerships and cooperations with retailers via physical and online channels.

[1] The total number of employees (headcount) is based on active and inactive permanent employees and temporary staff (incl. working students), irrespective of the time limit. The holding company, trainees, interns and diploma students are excluded. Total workforce incl. 50 % of employees from Tchibo joint venture.
[2] The 9.5 % fall in the employee headcount in the year under review is primarily due to the sale of two customer service companies. With retroactive effect from 1 January 2021 the Potsdam business was transferred to TFS Potsdam GmbH. The companies TGCS Essen & Potsdam GmbH and TGCS Berlin GmbH were subsequently sold to an external buyer, Transcom WorldWide GmbH. With this sale, the Telefónica Deutschland Group reduced the number of its own call centres from seven to five.

With our secondary and partner brands and through our wholesale channels, we reach further groups of customers, for example ethnic target groups in Germany, that we do not explicitly focus on with our O₂ brand. In addition, by means of joint operations and strategic partnerships, we offer further mobile communications brands. These include, for example, Tchibo MOBIL and ALDI TALK in cooperation with MEDIONmobile. Our multi-brand approach gives us the opportunity to appeal to the whole spectrum of customers with tailored product offerings, sales and marketing, thereby increasing our potential revenue.

Current company structure
Telefónica Deutschland Holding AG is a stock corporation (AG) under German law which is based in Munich, Germany.

Telefónica Deutschland Holding AG is the parent company of the Telefónica Deutschland Group. This is included in the consolidated financial statements of the top Group parent company, Telefónica, S.A., Madrid, Spain (Telefónica, S.A.; its Group: Telefónica, S.A. Group). The direct parent company of the Telefónica Deutschland Group is Telefónica Germany Holdings Limited, a wholly owned subsidiary of O₂ (Europe) Limited, Slough, UK (O₂ (Europe) Limited), and an indirect subsidiary of Telefónica, S.A.

Our brands

¹ Lebara will be a new wholesale partner of the Telefónica Deutschland Group. The Lebara customers are to be transferred to the Telefónica Deutschland Group network in the course of 2022.

Business strategy

We democratise high tech

The Telefónica Deutschland Group makes the latest technologies mass-marketable and thereby democratises high tech. The company links people throughout Germany via 48 million connections. The Telefónica Deutschland Group connects millions of people in Germany via mobile communications with its 45.7 million mobile communications connections. Arithmetically speaking, one of two Germans uses the O₂ network.

The COVID-19 pandemic has demonstrated that the telecommunications providers' infrastructure and services are of systemic importance, especially in this age of digitalisation. By the onset of the pandemic at the latest, these were afforded increasing recognition and significance by the politicians and the citizens. The Telefónica Deutschland Group connected people in Germany when social distancing was the order of the day and is keeping, among other things, sections of the economy up and running with connectivity while people work from home.

The digital participation of all people is founded on high-performance telecommunication networks. As an integrated telecommunications provider, the Telefónica Deutschland Group offers both mobile communications and fixed line solutions. The company uses its own mobile communications network throughout Germany. The customers are provided with fixed line network access within the framework of cooperative partnerships. This enables the company to offer diverse and modern access to fast broadband connections throughout Germany and gives it a broad and geographically widespread portfolio in the nation.

While the Telefónica Deutschland Group expands and operates its own 4G and 5G mobile communications network, we focus on strong partnerships in the area of fixed line business. We can offer our customers DSL and, going forward, fibre optics via the Deutsche Telekom infrastructure. We make Internet and broadband cable available to our customers via our cooperation with Vodafone and Tele Columbus. We additionally offer coverage via regional network operators such as EWE TEL and wilhelm.tel (fibre optics) and the joint venture Unsere Grüne Glasfaser (UGG).

An efficient network and reliable IT

Our business success is founded on an efficient network and reliable IT. The mobile communications network is already on a par with that of the competition. While we will significantly step up our focus on 5G expansion and the network's technological transformation, we will continue to invest in the expansion of our LTE network, which is still used by millions of customers every day. Once again in 2022 we will advance LTE network expansion in rural areas in particular.

To make the most of our position in the German market for mobile telecommunications services and monetise additional growth opportunities, we have introduced innovative digital products and value-added services in various areas such as communications services and financial services. We are also developing new digital market segments such as the IoT for all of our customer groups. We are systematically advancing our company's digital transformation and the related process optimisation. Firstly, this makes our interaction

with the customers easier and more intuitive, for example because the customer can use intuitive self-care offerings or more quickly identify and buy the product they want. And secondly, we are using digital transformation to reduce, simplify and automate our processes. We want to create a uniform customer experience overall at all contact points.

Consistent growth strategy for the future

The Telefónica Deutschland Group is consistently pursuing a profitable growth strategy with the aim of achieving cumulative revenue growth of at least 5 % between 2020 and 2022. To successfully implement the Investment for Growth strategy, the company has defined numerous measures belonging to three areas.

Firstly, its mobile communications business in particular should continue to grow. The company sees potential here above all in rural areas. The success of this is based on the quality of the mobile communications network. To take full advantage of the growth opportunities, the Telefónica Deutschland Group will continue with its network-oriented investment programme and aimed in 2021 to improve its service provision to rural areas, in particular with 4G, as well as increase its capacities in towns and cities, preferably with 5G. 5G expansion will continue to be advanced in 2022 too, both in urban and rural areas. Secondly, there will be an increased focus on acquiring business customers on the basis of the significantly improved infrastructure. The aim is to achieve a fair market share in the SME segment here. Here, the company already offers first-class value for money within the

GRI Management approach: Economic
performance (103-2; 103-3); Indirect
economic impacts (103-2; 103-3);
GRI 203-1; 203-2

market and multi-award-winning services. The company sees potential for growth in the areas of connectivity possibilities and 5G campus networks and in particular in the SME segment. The third strategy focus is the intelligent linking of mobile communications products with other digital services such as O_2 Cloud or O_2 TV. Not only can this increase revenue per household due to the sale of additional products, it can also improve customer retention at the same time.

In 2022 the Telefónica Deutschland Group will build on the sustained operational and financial momentum seen in the 2021 financial year using focused implementation and the successes of the first two years of the programme, in particular network quality on a par with the competition. In the renowned test conducted by the magazine *connect*[1], the O_2 network was once again given a rating of "very good" (874 points), thus achieving the best result in the history of the Telefónica Deutschland Group in spite of the more stringent test criteria. A rating of "very good" was awarded three times (for 944, 913 and 874 points) in the mobile communications network test in issue 1/2022 of *connect*[1]. This accolade is the result of the company's systematic network expansion strategy that focuses on a fast 5G network and that likewise supports the O_2 brand's churn rate, which remains historically low.

The Telefónica Deutschland Group will simultaneously continue on its chosen path of digital transformation to achieve revenue increases and efficiency improvements. The Telefónica Deutschland Group is focusing here on sustainable growth and has set itself the target of achieving net zero carbon emissions by 2025 as part of its ESG targets. The Telefónica Deutschland Group already gets 100 % of the power it uses from renewable sources.

Business strategy and sustainability strategy closely dovetailed

Sustainability is a key factor for the success of the business model and has been an integral part of the Telefónica Deutschland Group's DNA since 2005. Our purpose of "We democratise access to a sustainable digital future to make day-to-day life better for everyone." is at the heart of our actions. The word "sustainable" in the purpose represents the increasing importance of connectivity and high-speed networks to sustainably shaping life and work. Network performance is a fundamental prerequisite for overcoming the climate crisis. It allows for smart towns and cities, smart mobility solutions, smart energy supply grids, a sharing economy and eco-friendlier production processes. We want to contribute to enabling Germany and the rest of Europe to play a leading role in the digitalisation of the economy and society. This includes assuming responsibility and bearing in mind the impact that all of our business activities have on individuals, society and the environment.

We therefore integrate sustainability by means of fixed structures in our business processes with the aim of putting our company on a forward-looking footing. We actively manage our sustainability activities by means of the Responsible Business Plan 2025. Our clear commitment to sustainable business practice where our core business is concerned additionally contributes positively to the reputation of the Telefónica Deutschland Group and to minimising business risks, also helping to achieve the United Nations' Sustainable Development Goals (SDGs). The Telefónica Deutschland Group therefore assumes responsibility above and beyond simple connection services and benchmarks itself against ambitious sustainability goals, which are listed among other things in the "Transparency and dialogue" chapter.

[1] Source: WEKA MEDIA PUBLISHING GmbH, article: "Mobilfunknetztest 2022: Fazit & Interview" (Mobile communications network test 2022: result and interview) (30 November 2021)

GRI 103-1 (all relevant topics);
GRI 102-11; 102-15; 102-46; 102-47; 102-49

Responsible Business Plan 2025

Comprehensive sustainability strategy serves as a compass

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 governance for responsible corporate management, 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.

Our sustainability strategy has been an integral part of our corporate strategy since 2005. We purposefully incorporate sustainability aspects into our business processes in order to make our company future-proof. We report on our business activities transparently and openly and incorporate our stakeholders' expectations and increasing regulatory requirements into our business processes all along the value chain. Our CR strategy and our business strategy are therefore closely interlinked.

The Responsible Business Plan 2025: key management tool

The Telefónica Deutschland Group's sustainability strategy is managed via the Responsible Business Plan (RBP) 2025 "Digital. Sustainable. Connected." and aims to achieve various sustainability targets.

The RBP serves as the framework for the sustainability targets and activities of the departments and company sites and creates a basis for expediting sustainable digitalisation further and efficiently steering our sustainability management.

With the RBP 2025 we wish to continue to responsibly shape sustainable digitalisation and the transformation of our economy and society in the future. We pursue this objective with clearly defined commitments in five fields of action:

1. **Principles of governance for responsible corporate management:** our business as a digital company will be founded on the principles of governance for responsible corporate management that we rigorously and systematically apply to all our business processes.

2. **Employees:** we will advance tomorrow's digital working world as an attractive employer.

3. **Customers and business partners:** we will offer our customers products and services which support a sustainable lifestyle.

4. **Climate and the environment:** we will offer our customers the greenest network.

5. **Society and digital inclusion:** we will facilitate participation in the digitalised world by affording people access and skills.

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We selected specific focus areas per field of action and these are reflected in defined measures and targets for the year.

For example, we intend to use concrete measures to achieve the goal of net zero carbon emissions[1] by 2025, increase customer and employee satisfaction further and afford people safe participation in digital life. With the RBP 2025 we wish to continue to responsibly shape sustainable digitalisation and the transformation of our economy and society in the future. We gauge our progress at the overarching level of the field of action on the basis of fixed non-financial key performance indicators. The status for the reporting year is as follows:

Five fields of action, five missions for 2025:

	Main KPIs	Results for 2021 (compared to previous year)	Status 2021
Applying principles of responsible corporate management	At least good sustainability (ESG) ratings	Good results (improvement)	✓
Offering the greenest network for our customers	Net zero CO_2 emissions by 2025	5,950 t CO_2 (−78 % compared to base year 2015)	✓
Supporting a sustainable lifestyle	Top customer satisfaction (NPS)	Stable (unchanged)	✓
Driving the digital working world forward	Top employer (eNPS)	60.4 (+6.6 points)	✓
Enabling participation in the digitalised world	High reputation score (RepTrak)	69.0 out of 100 (+4.1 points)	✓

[1] We use the term "net zero carbon emissions" as we are focusing our reduction on carbon. We nevertheless include not only carbon dioxide (CO_2) in our calculations, but also the other greenhouse gases (methane (CH_4), nitrous oxide (N_2O) and refrigerant gases which are relevant to the climate (F-gases) and use CO_2 equivalents for this. A detailed description of our net zero carbon emissions can be found here.

GRI 103-1 (all relevant topics);
GRI 102-11; 102-15; 102-46; 102-47; 102-49

Materiality analysis to identify material topics

The RBP 2025 was developed on the basis of the materiality analysis conducted in 2020; here, a structured method was used to identify seven areas of action and 24 potentially material topics for the Telefónica Deutschland Group and then assign them to a materiality matrix.

In the process, the impact of the business activities, the short-term business relevance to the Telefónica Deutschland Group and the stakeholder relevance were ascertained. For this, we drew on quantitative customer and employee surveys, qualitative expert interviews with customers, suppliers, NGO representatives, analysts, investors and association representatives, workshops with senior management and company-, market- and sector-specific studies.

We performed an impact analysis in 2021 in order to update the materiality analysis. Based on this, we identified the material topics upon which the Telefónica Deutschland Group has a significant influence. In addition to the impact analysis, we used set evaluation aspects to determine the relevance to business of the topics. This once again confirmed the results of the 2020 materiality analysis. The resultant material topics were then presented to the Management Board and Supervisory Board. The Management Board approved the material topics.

Materiality matrix

Influence on the assessment and decision-making of the stakeholders

	Low	Medium	High	Very high
Very high			• Human rights and social standards in the supply chain	• Network quality and coverage • Data protection and information security • Compliance and integrity
High			• Customer relations, product and service experience • Access to digital technologies for all	• Energy and CO_2
Medium		• Promotion of societal discourse on sustainable development • Mobile communications and health • Sustainable regional development • Resource management at the sites	• Various employee topics[1] • Responsible corporate governance • Transparency and dialogue • Protection of children and young people • Sustainable digital innovation • Environmental standards in the supply chain • Digital education and media skills • Circular economy	
Low		• Social commitment	• Sustainable investment behaviour	

Significance of the economic, environmental and social impacts

The material topics for the Telefónica Deutschland Group are written in blue in the chart above.
[1] Diversity, equal opportunity and non-discrimination; employee health and safety; labour/management relations; training and professional development and lifelong learning

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**Connecting people
Reliable.sustainable.inclusive**

Principles of governance for
responsible corporate management

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

Determining the material non-financial risks

The analysis of the business relevance of the identified non-financial topics was followed by an assessment of the risk scenarios in terms of their probability of occurrence and their potential to have a detrimental impact. In line with the criteria of established risk management, we performed a net assessment of the risks. A detailed description of the processes can be found in the "Risk and opportunity management" section ⬀ of the 2021 Combined Management Report. 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". The potential for the risks to have a detrimental impact on the relevant aspects was determined on the basis of the criteria relating to the severity of the impacts on an aspect, the number of people actually or potentially affected and the possibility of restoring the original condition before the impact occurred. In this risk assessment, we identified the potential for a material risk pursuant to Section 289c of the German Commercial Code (HGB) in the area of customer matters, which we are counteracting with comprehensive measures (see "Customers and business partners" chapter).

Regular reviews 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 evaluated. Current industry activities and studies as well as talks with stakeholders are likewise evaluated. This allows us to specifically respond to changes with regard to the impacts of the Telefónica Deutschland Group, the relevance for our stakeholders and our business operations. The results of this review are integrated into our strategy process.

Digital responsibility as part of our sustainability strategy

The consequences of the digital transformation on the environment and society and the changes in our stakeholders' requirements are a 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 wishes to play an active and key role in shaping the digital transformation. In the course of this, not only do we facilitate the use of digital apps, we also use algorithms and artificial intelligence ourselves.

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 2025.

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. For reporting in accordance with the GRI Standards, the stakeholders' perspective and our societal and environmental impacts are particularly relevant. The materiality matrix according to GRI, taking this combined approach into account, is shown on p. 12.

The materiality matrix contains the results of the comprehensive 2020 materiality analysis, which serves as the basis for sustainability reporting.

Responsible Business Plan 2025

Digital.Sustainable.Connected.
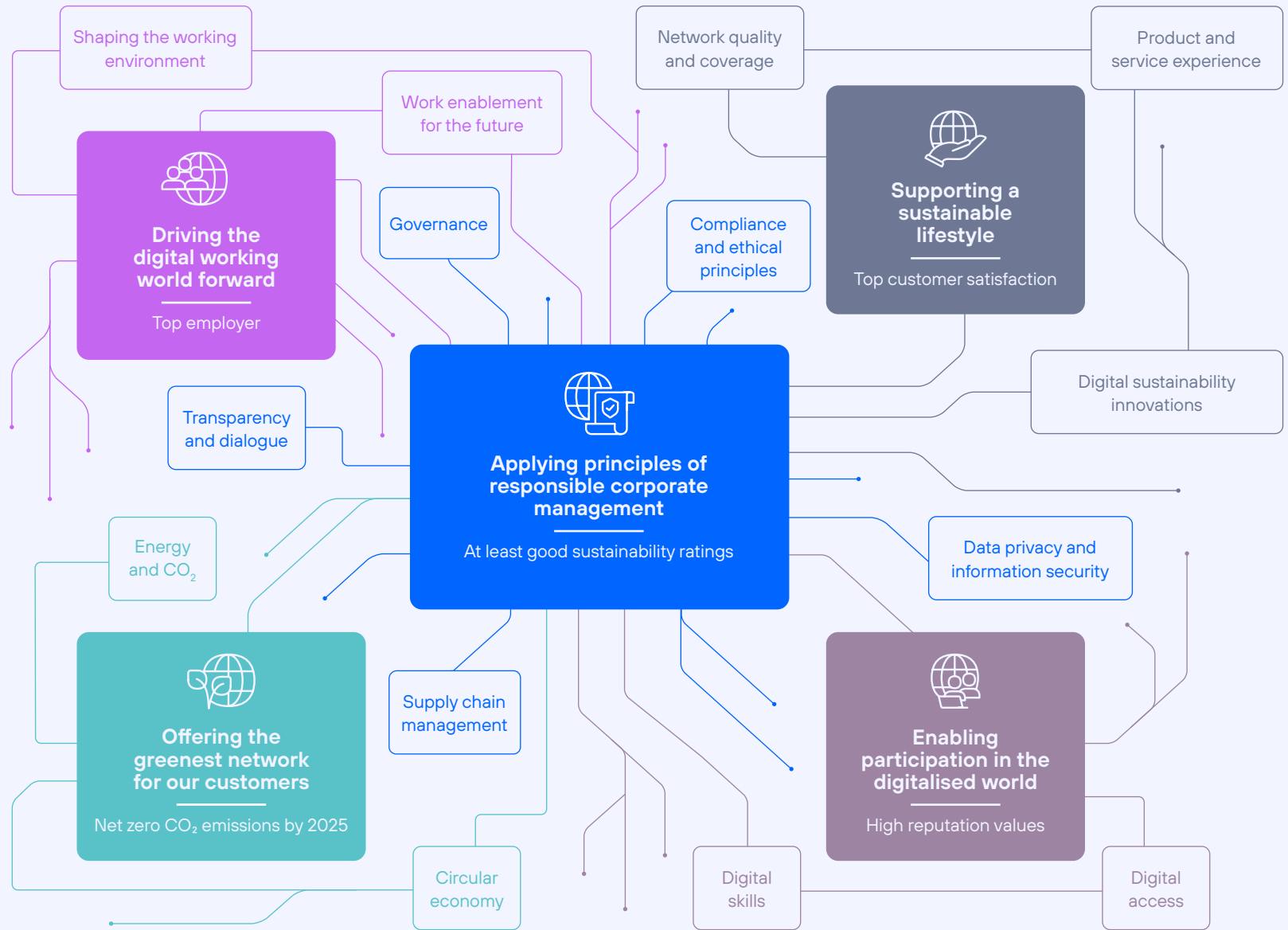
Shaping the working environment

Network quality and coverage

Product and service experience

Work enablement for the future

Driving the digital working world forward

Top employer

Governance

Compliance and ethical principles

Supporting a sustainable lifestyle

Top customer satisfaction

Transparency and dialogue

Applying principles of responsible corporate management

At least good sustainability ratings

Digital sustainability innovations

Energy and CO_2

Data privacy and information security

Offering the greenest network for our customers

Net zero CO_2 emissions by 2025

Supply chain management

Enabling participation in the digitalised world

High reputation values

Circular economy

Digital skills

Digital access

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Principles of governance for responsible corporate managment

We want to achieve at least good results in the relevant sustainability ratings.

Governance

Transparency and dialogue

Compliance and ethical principles

Supply chain management

Data protection and information security

Mission for 2025

Our business as a digital company will be founded on the principles of governance for responsible corporate management that we rigorously and systematically apply to all our business processes.

Top scores in ESG ratings

69

out of 100 RepTrak Pulse points:
+4.1 points compared to previous year

Governance

Commitment

Corporate responsibility is firmly enshrined in all our divisions. We will manage its implementation and target attainment by means of the Responsible Business Plan 2025.

Our achievements

We incorporated the material environmental aspects of our Responsible Business Plan (RBP) 2025 into the ISO 14001 analysis of environmental aspects. In this way, the RBP 2025 also steers the environmental management system with regard to this important matter. We enhanced the visibility of CR topics in the company among other things with roadshows. Reducing carbon emissions has been afforded a greater weighting in the bonus system for executives, resulting in added incentive. We were able to further increase the level of training on our Business Principles.

97.7 %
of employees and directors given training in the Business Principles and human rights in 6,870 training hours

20 %
ESG weighting in the bonus rules for top management

Focus SDGs
We work with integrity in all the divisions and adhere to strict ethical principles. In the interests of governance for responsible corporate management, we keep an eye on the impacts that all of our business activities have on people and the environment. Our aim is to ensure this along the entire value chain and at all the company levels.

UN Global Compact
We are committed to observing the UNGC principles related to the areas of human rights, labour standards, the environment and anti-corruption. Governance cannot be directly assigned to a principle, but we endeavour to take the UNGC principles into account in everything we do.

CDR Initiative

CDR field of action:
Data handling

We make a commitment in our Business Principles to data protection and observing information security and transparency.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Corporate Digital Responsibility Initiative

GRI 102-18; 102-19; 102-20; 102-21; 102-26; 102-31

Governance

BASIC PRINCIPLE AND CHALLENGES
Governance for responsible corporate management secures sustainable value creation

"We democratise access to a sustainable digital future to make day-to-day life better for everyone." This is the Telefónica Deutschland Group's business purpose and this therefore guides our actions. In the interests of governance for responsible corporate management, we keep an eye on the impacts that all of our business activities have on people and the environment. We guarantee this all along the value chain and at all the company levels. Our goal is to use technological innovations to solve societal challenges and promote sustainable development.

The Telefónica Deutschland Group's Business Principles ⬈ serve as the foundations of our actions. They document our understanding of governance for responsible corporate management on the basis of ethical principles, corporate standards and behaviour patterns. These are derived from the three fundamental values of integrity, reliability and transparency and act as a binding code of conduct that sets benchmarks for our involvement in business life. The Business Principles are directed at the employees, business partners, shareholders and the company as a whole. To reinforce the earnestness of our approach, all the staff including the Management Board are given regular mandatory training in observance of the Business Principles.

The Management Board and Supervisory Board of Telefónica Deutschland Holding AG are addition-

ally committed to observing the principles of transparent corporate governance and regularly concern themselves with the requirements of the German Corporate Governance Code (GCGC). The Code stipulates standards for the supervision and management of listed companies. The Management Board runs the company on its own responsibility and in the interests of the company with the aim of achieving sustainable value creation. It is supervised in this and offered advice by the Supervisory Board. All measures and decisions of fundamental significance to the company are executed on the basis of close consultation between the Management Board and the Supervisory Board. The Management Board and Supervisory Board provide information about our corporate governance in Telefónica Deutschland Holding AG's Management Declaration, which includes the declaration of compliance ⬈ with the GCGC, which must be submitted annually.

The reporting and due diligence obligations for companies are subject to ongoing changes, for example in relation to the European Union's Green Deal, the European Commission's draft of the

new Corporate Sustainability Reporting Directive (CSRD), and supply chain sustainability (cf. Germany's Supply Chain Due Diligence Act (LkSG)). We are preparing for the additional requirements with various measures.

PROCESSES AND MANAGEMENT
Clear governance structures and requirements

Our CR strategy is approved by the Management Board, is an integral part of the Telefónica Deutschland Group's corporate strategy and is also based on 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 Responsible Business Plan is the key tool when it comes to our sustainability management. Its serves as the framework for the sustainability targets and activities of the departments and company sites. A more specific evaluation of our progress can be found in the CR Report 2021.

Governance

	Unit	**2021**	2020	2019
Proportion of employees and directors given training in the Business Principles and human rights[1]	%	**97.7**	95.8	96.8

[1] Proportion based on the number of employees of Telefónica Germany Group excluding employees on sabbatical and external consultants (employee base 7,030, previous year 7,717). The calculation includes the completed training units of the last three years. For 2021 this means 6,870 completed training units from 1 January 2019 to 31 December 2021.
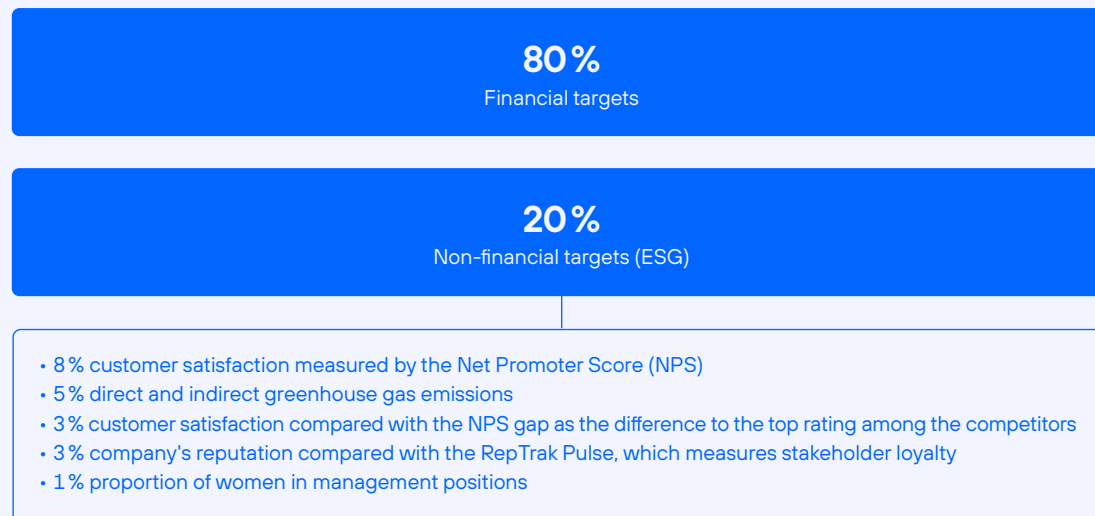
GRI 102-18; 102-19; 102-20; 102-21; 102-26; 102-31

The Corporate Responsibility and Sustainability (CR&S) directorate is responsible for managing the sustainability activities of all the departments and company sites. It monitors achievement of the CR goals and plans new measures together with the departments. The CR&S 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&S 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 pursuant to Section 315b in conjunction with Section 289b of the German Commercial Code (HGB). The Supervisory Board discusses the findings of the audit of the Non-Financial Report and the related performance indicators with the auditors and then passes a resolution based on its own audit.

We use management bonuses as an incentive for the achievement of company targets. Since 2019 the Telefónica Deutschland Group has intentionally linked bonus payments for the Management Board and executives to the company's performance with regard to its sustainability targets. In addition to financial performance indicators, which have a weighting of 80 %, there are other non-financial criteria with a weighting of 20 %. The latter include boosting customer satisfaction, strengthening our reputation, reducing CO_2 emissions and increasing the percentage of women in management positions.

Variable remuneration is linked to sustainability targets:

80 %
Financial targets

20 %
Non-financial targets (ESG)

- 8 % customer satisfaction measured by the Net Promoter Score (NPS)
- 5 % direct and indirect greenhouse gas emissions
- 3 % customer satisfaction compared with the NPS gap as the difference to the top rating among the competitors
- 3 % company's reputation compared with the RepTrak Pulse, which measures stakeholder loyalty
- 1 % proportion of women in management positions

The bonus arrangements regarding the Telefónica Deutschland Group's targets for the financial year 2021 are the same as the previous year's performance indicators, although reducing CO_2 emissions has been afforded a greater weighting. The objective is to further embed our responsibility as a member of society and as an employer firmly in our corporate goals. Specifically, the following criteria are included:

- The Net Promoter Score (NPS) measures our customers' willingness to recommend their service provider. This makes up 8 % of the bonus.
- We calculate the company's reduction in direct and indirect greenhouse gas emissions using the Greenhouse Gas Protocol. This represents 5 % of the bonus.
- The NPS gap measures the difference between our NPS and that of the top competitor. This accounts for 3 % of the bonus.

- The RepTrak Pulse measures the company's reputation on the basis of an algorithm developed especially. It makes up 3 % of the bonus.
- The proportion of women in top management positions (appointment to senior management) serves as the performance indicator for gender equality. It accounts for 1 % of the bonus.

To promote a joint focus on the targets set, we brought the target and bonus system for employees who are eligible for bonuses into line with the more flexible model for senior management and the Management Board. This means that since 2020 all the employees who are eligible for bonuses have had the same targets, weightings and payout curves in relation to the Telefónica Deutschland Group's corporate goals.

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**Principles of governance for
responsible corporate management**

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI 102-18; 102-19; 102-20; 102-21;
102-26; 102-31

Steering our sustainability management at the Telefónica Deutschland Group

Supervisory Board

Coordination and approval
of material topics &
performance indicators for the
Non-Financial Report

Corporate Responsibility Report
for information

Management Board

Makes strategic CR&S-related decisions

Checks guidelines and CR&S targets
and approves these

Approval of the Non-Financial Report and
Corporate Responsibility Report

Chief Officer for Legal and Corporate Affairs

Responsible for CR&S on the
Management Board

Telefónica, S.A.

Offers global CR&S strategy
as orientational framework for
local CR&S positioning

Coordinates globally relevant
CR&S topics and guidelines

Regular update on overarching
CR&S topics

Exchange on CR&S

CR&S department as coordinating office

Develops the national CR&S strategy
and CR&S guidelines and translates them
for the specialist departments

Coordinates, monitors and reports
interdepartmentally all CR&S activities,
KPIs, targets and ESG ratings

Initiates and supervises CR&S projects
with a strong societal impact

**Interdepartmental
CR&S committee**

Collaborate intensively

Specialist steering committees
(E.g. energy committee, environmental
committee, human rights committee)

Specialist departments

Formulate goals and KPIs in
coordination with the CR&S department

Formulate goals and KPIs in
coordination with the CR&S department

Work in steering committees at operational level to deal with
issues involving other departments

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STRATEGIC PRIORITIES
CR policies provide framework for action

Our own policies in the form of guidelines, standards and procedural instructions have a key role to play in CR management. They apply fundamental environmental, social and compliance-related standards to our processes, specify the requirements we have of our stakeholders and serve as a tool of voluntary commitment and control.

Evaluating political and societal requirements
Close interaction with the relevant external and internal stakeholders is especially important to the Telefónica Deutschland Group and contributes to the global Sustainable Development Goals (SDGs). The CR&S department maintains intensive and continuous dialogue with these stakeholders in order to understand what is expected of the company and identify important topics and trends in good time. The CR&S department regularly maintains direct contact with the individual departments and, furthermore, engages in dialogue in the context of internal steering bodies such as the CR committee, the environment and energy committee, the data protection forum and the human rights 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&S department are analysed 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 sustainability, the Telefónica Deutschland Group confers with the Telefónica, S.A. Group.

Using performance indicators to gauge target attainment
Our actions were guided in 2021 by clear commitments to each of the areas of action and topics of the Responsible Business Plan 2025 as the key tool when it came to our sustainability management. These commitments can only be altered through a Management Board decision in justified exceptional cases. 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.

Our sustainability management, which covers the criteria in the areas of the environment, social and governance (ESG), has been an integral part of our corporate strategy since 2005. Disclosures regarding ESG performance are now no longer a voluntary exercise for companies: sustainable products and services are an integral part of the lifestyles of many customers, employees want to work for a responsible employer and investors are increasingly incorporating ESG criteria into their investment decisions.

We actively manage our ESG performance via regular analyses, from which we then derive optimisations and measures. We also organised our first virtual ESG roadshow ⬈ in 2021 with our Chairman of the Supervisory Board Peter Löscher and our CEO Markus Haas in order to explain our

ESG strategy to investors and engage in dialogue with them. Our efforts are paying off – in the year under review, we improved in the ESG ratings that are most important to us (Sustainalytics, MSCI, ISS-oekom) and are increasingly achieving good to very good assessments. The inclusion (of Telefónica, S.A./the Group) once again in relevant indices such as the Bloomberg Gender-Equality Index ⬈, the Dow Jones Sustainability Index (DJSI) and the CDP's climate change A List ⬈ likewise reflects our strong performance (for more on our ESG performance, see also "Transparency and dialogue").

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The most important guidelines and guiding principles for successful sustainability management

Governance for responsible corporate management

- Business Principles
- Management Declaration
- Declaration of Principles on Respecting Human Rights
- Human Rights Policy
- Corruption prevention guidelines
- Guidelines on handling conflicts of interest, invitations, gifts and incentives
- Policy for the whistle-blower channel
- Compliance organisation guidelines
- Business continuity management guidelines
- Company guidelines on corporate responsibility
- Donation guidelines
- Risk Management Policy
- Guidelines for ethically responsible communication
- Social Media Guidelines
- Artificial Intelligence Principles

Supply chain management

- Supply Chain Sustainability Policy (incl. conflict minerals)
- Low-carbon procurement guidelines
- Purchasing guidelines
- General Conditions for the Supply of Goods & Services
- Supplier Management Instruction
- Rules for the procurement of services and handling service providers

Employer

- Bonus arrangements in the renumeration of the Management Board and of the executives
- Diversity & Inclusion Policy
- Health policy
- Occupational health and safety manual
- Risk assessment guidelines
- Guidelines on occupational health care
- Guidelines for occupational health and safety officers
- Emergency organisation guidelines

Environmental and energy management

- Environmental policy
- Sustainable Energy Management Policy

Data protection

- Group data protection standard incl. commitment and guidelines on handling data
- Data protection contract guidelines
- Data protection information obligation guidelines
- Procedural instructions for data protection controls
- Procedural instructions for data privacy incidents

Information security

- Information security policy
- Corporate Rule on Minimum Controls
- Confidentiality levels
- Guidelines on security incidents
- Guidelines on physical safety

Transparency and dialogue

Commitment

As a trustworthy partner, we engage in transparent dialogue with our relevant stakeholder groups.

Our achievements

In 2021 we engaged in dialogue with our stakeholders at numerous events, concerning, for example, the digital future, climate protection and promoting diversity. We developed guidelines for ethically responsible communication, which also direct our communication with the stakeholders. We were additionally one of seven companies to commit to recognising the Corporate Digital Responsibility (CDR) Code – in other words, to effect digitalisation in the interest of the common good. Again in 2021 we improved our good results in ESG ratings.

Top Rated ESG Industry, Sustainalytics

2021

Founding member of the CDR Initiative

Focus SDGs
We report on our business activities transparently and openly and incorporate the feedback from our relevant interest groups into the development of our business processes all along the value chain. We adhere to strict ethical principles for responsible business.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Data handling

We guarantee consumer sovereignty and autonomy and provide regular, targeted and comprehensible information about how we process data.

Corporate Digital Responsibility Initiative

GRI 102-42; 102-43; 102-44

UNGC-Principles 1

Transparency and dialogue

BASIC PRINCIPLE AND CHALLENGES
**Engaging in dialogue and providing
information transparently**

We report on our business activities transparently and openly and incorporate the feedback from our relevant interest groups into the development of our business processes all along the value chain. To be a fair and trustworthy partner for our stakeholders and find out more about their needs, we focus on transparent communication and dialogue with the customers, employees, suppliers, policymakers and society. 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 want to do better at recognising the impact that our actions have, so we can further develop our business model with a focus on the benefits for society.

With the implementation of the Responsible Business Plan 2025, the Telefónica Deutschland Group is actively supporting the attainment of the United Nations' 17 global Sustainable Development Goals (SDGs). How we are going about this is presented in the individual chapters of this report.

The Telefónica Deutschland Group is actively committed to the debate about people- and value-based digitalisation and about the future of digital life. We use the BASECAMP in Berlin, which was opened 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 the media, NGOs, entrepreneurs, start-ups, consumers, politicians, scientists and

first and foremost interested citizens. In the year under review, we also established the TV studio in the O₂ Tower in Munich as the venue for our new audio and video format, O₂/Telefónica TecTalk, in which we talk to top decision makers about socially relevant topics related to digitalisation, digital policy, networked mobility, education and the future of work.

Digital solutions need to be designed in such a way that they are for the benefit of people. As a key driver of digitalisation, the company has a particular responsibility here. The concept of corporate digital responsibility (CDR) is therefore becoming increasingly important with regard to business conduct and the Telefónica Deutschland Group is among the leaders in this field. As a founding company of the CDR Initiative launched by the former Federal Ministry of Justice and Consumer Protection in 2018 we made a commitment in 2021 to recognise the initiative's CDR Code as one of seven companies to do so.

To further improve our sustainability performance, we regularly take part in relevant ESG ratings and take ESG rating criteria into account in the optimisation of our CR performance and for the related sustainability reporting. We see this as offering huge potential for boosting our responsible conduct and the company's resilience as well as for achieving sustainable corporate financing because systematic orientation towards ESG criteria is increasingly becoming a prerequisite for access to the capital market. 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.

We also provide information transparently regarding the representation of our standpoints and interests in the political process. The obligations of companies to report to the German Bundestag have been expanded with the introduction of the Lobbying Register in early 2022. Companies must now disclose the names of political stakeholders and their budget for political lobbying. The Telefónica Deutschland Group welcomes the transparency in the political decision-making process that this will result in. We report very openly on the positions we adopt in the BASECAMP ⬈, in our Telefónica blog ⬈, in the public affairs blog of the Telefónica BASECAMP ⬈ and in our social media channels.

GRI 102-12

Our contribution to the Sustainable Development Goals (SDGs)

The 17 global goals for sustainable development (Sustainable Development Goals (SDGs)) were adopted by the United Nations in September 2015. In 2021 an SDG analysis was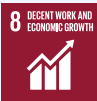 carried out in order to make an active contribution to the SDGs. The relevant SDGs and their sub-goals were identified for the Telefónica Deutschland Group and assigned to the Responsible Business Plan. This analysis was also used as the basis for the CR target formulations. How we contribute to SDGs with regard to each CR topic can be found in the diagram below and is also described on the corresponding chapter introduction pages.

Customers and business partners

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We promote inclusive and sustainable connectivity and offer digital and analogue advice regarding all of our products and services.

11 SUSTAINABLE CITIES AND COMMUNITIES — We are promoting the sustainable and safe development of towns and cities with inclusive and sustainable innovations.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — We provide the customers with information that helps them select products from a sustainability perspective.

17 PARTNERSHIPS FOR THE GOALS — To give our customers throughout Germany the opportunity to participate in the digital transformation, we are promoting partnerships for the expansion of Internet usage and broadband access.

Employees

5 GENDER EQUALITY

We promote gender equality, equal opportunity and closing pay gaps.

4 QUALITY EDUCATION — We eliminate inequalities by investing in digital skills, enabling all the employees to enjoy the advantages of digitalisation equally.

8 DECENT WORK AND ECONOMIC GROWTH — We provide quality employment for all, including young people and people with disabilities, and equal pay for equal work.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — We encourage our employees to champion causes and help disadvantaged people.

Climate and the environment

13 CLIMATE ACTION

With our measures to optimise energy consumption as well as the use of resources and reduce emissions, we are contributing to combating climate change.

7 AFFORDABLE AND CLEAN ENERGY — With the further development of our mobile communications network, which is run on renewable energies, we are contributing to the development of a future-proof energy supply.

11 SUSTAINABLE CITIES AND COMMUNITIES — We develop solutions to optimise energy consumption, reduce emissions and improve mobility and safety for people and communities.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — With our circular economy concept, we aim to promote sustainable consumption and production patterns. We focus on eco-design, reuse and recycling in the use of our products and services.

Society and digital inclusion

10 REDUCED INEQUALITIES

We want to promote digital inclusion and reducing inequalities within society while ensuring that no one is excluded from mobile communication.

4 QUALITY EDUCATION — We promote digital competence through our educational offer for different age groups. Our focus here is on vulnerable groups such as children and young people as well as senior citizens.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — We aim to offer everyone access to the digital world. We are creating the basis for this with an efficient network both in towns and cities and in rural areas.

Principles of responsible corporate governance

8 DECENT WORK AND ECONOMIC GROWTH — We work with integrity in all the divisions and adhere to strict ethical principles for responsible business and promote sustainable procurement management and supplier management that include ethical, social and environmental criteria. — **16 PEACE, JUSTICE AND STRONG INSTITUTIONS**

GRI 102-42; 102-43; 102-44

UNGC-Principles 1

PROCESSES AND MANAGEMENT
Our stakeholder management

A decentralised approach is taken to stakeholder management within the Telefónica Deutschland Group. The departments are responsible for stakeholder engagement in their relevant areas of expertise. For example, the Data Protection department talks to data protection stakeholders, the Corporate Responsibility and Sustainability department talks to NGOs, associations and sustainability institutions, and the Government Relations team talks to associations and political stakeholders. These departments are based within the Legal and Corporate Affairs division under the Chief Officer for Legal and Corporate Affairs. For dialogue with the employees, the Internal Communications area is responsible with Human Resources. In addition, stakeholder engagement with the business world, science and society at the Management Board level is managed by Corporate Communications.

To ensure that our communication with our stakeholders is ethically responsible, we developed a communications policy ⬈ in 2021 and this was adopted by the Management Board in early 2022. This stipulates action guidelines for our company and our employees regarding our communication channels, advertising, events and content creation. Sustainability, the protection of young people and the responsible use of resources are likewise explicitly addressed in the context of corporate communications and advertising. Based on this policy, we developed a practical guide for our employees and communication partners featuring ethical guidelines for our marketing communications.

Telefónica Deutschland's stakeholder management is founded on five pillars:

1. **Cooperation:** we communicate with our stakeholders through projects and intensive dialogue and develop future-oriented solutions together.

2. **Dialogue:** via various formats, we maintain close contact with our stakeholders and engage in an open dialogue – both digitally and personally.

3. **Consultation:** we actively integrate our stakeholders, for example through surveys on classifying the relevance of current topics and their opinion of the company.

4. **Information:** we use numerous channels to inform our stakeholders with regard to current developments, news concerning our topics, and offerings and products.

5. **Empowerment and 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.

We gauge our stakeholder engagement with, for example, the RepTrak Pulse. This metric gauges society's perception of our performance as a company. In the year under review, the RepTrak Pulse was at 69.0 out of 100 points (2020: 64.9). We therefore improved by approximately four points year-on-year. The RepTrak Pulse is a factor in determining the bonus payments made to executives (for more information on bonus arrangements, see the "Governance" chapter).

GRI 102-40; 102-42; 102-43; 102-44

UNGC-Principles 1

Telefónica Deutschland in regular dialogue with its stakeholders

Local authorities

Cities, towns and municipalities are important partners for us regarding the expansion of our network infrastructure.

- Collaboration regarding selection of network/ antenna sites
- Education and information regarding mobile communications and health
- Joint pilot projects relating to infrastructure measures
- Participation in municipal council meetings
- Involvement in communication measures regarding mobile communications and 5G at the regional level

External initiatives

We collaborate with representatives of business, science and civil society on topics relevant to CR.

- Participation in Bavarian Environmental Pact and Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)
- Partnership with the Global Digital Women initiative
- Involvement in #SheTransformsIT and the Chefsache initiative for greater equality of opportunities for women in digitalisation
- Dialogue in the Joint Audit Cooperation (JAC) regarding our membership of the Telefónica, S.A. Group
- "Charta der Vielfalt" (Diversity Charter)
- Women in Data grant

Customers

We are in constant contact with our customers and wish to offer them guidance and assistance in a world which is becoming more and more complex.

- Shops, hotlines, chats, innovative formats such as the O_2 pop-up shop, short videos, social media, forums (O_2 Community)
- Services via the Mein O_2 app and o2online.de
- Informationszentrum Mobilfunk (Information Centre for Mobile Communications (IZMF)) as a knowledge portal
- "Mein 5G" podcast
- Measurement of customer satisfaction all along the customer journey

Influencers from business, politics and science

The BASECAMP is both a digital platform with the BASECAMP blog and the Telefónica Deutschland Group's debating forum and event venue in central Berlin. We discuss, inspire and polarise in the heart of the government district together with the fields of business, politics and media, and we advance debate on the topic of digitalisation. In addition, there is a holistic CEO and board positioning programme for the debate on digitalisation. This includes cooperation with publishers, media, institutes, associations and start-ups as well as a dedicated audio and video format, the O_2/Telefónica TecTalk and the debate format "Data Debates" with the Tagesspiegel.

Event series at the BASECAMP:
- Nachgefragt! Auf ein Wort mit… (Answers sought! A word with …)
- Masterminds
- Data Debates
- UdL Digital Talk
- FishBowl
- Kitchen Talk
- BASECAMP themed week
- O_2 Telefónica TecTalk video and audio format

Employees

We set great store by trusting cooperation and promote social engagement among our employees.

- Employee surveys
- Works meetings
- Events with the Management Board such as Tower Talk with the active involvement of employees via chat function, Vorstand im Dialog (Management Board in Dialogue) and Kaffee & Croissant (Coffee and Croissants)
- TelefónicaConnects internal community for women
- DigitalBrain: AI-based knowledge management tool with employees' questions and answers
- Comments function for employees for all intranet posts
- Corporate Volunteering Day
- O_2 Telefónica Run
- Fortnightly Leaders 30 Minutes executive calls
- Monthly 30 Minutes @ Work all-hands meeting
- Volunteering Week and Corporate Volunteering Day
- Feelgood – information, assistance and self-help regarding health matters
- Employee engagement for aid organisations (e.g. flood disaster, Aktion Deutschland Hilft (Germany's Relief Coalition) emergency aid for Ukraine)

O₂ Telefónica

NGOs

Non-governmental organisations and non-profit initiatives are important partners and idea providers for the implementation of our programmes aimed at sustainable digitalisation.

Partnerships and knowledge sharing with ongoing dialogue:
- Digital Opportunities Foundation
- German Association for Voluntary Self-Regulation of Digital Media Service Providers
- German Children's Fund
- Cybermobbing-Hilfe (Cyberbullying Support)
- AfB social & green IT
- B.A.U.M., Global Compact Network Germany, NABU, UPJ
- klicksafe
- Initiative D21

Political and administrative spheres, business and associations

We seek dialogue with political and business players and are involved in association work.

- Regular dialogue with policymakers and authorities at the national, regional and local authority levels regarding network regulation, security and data protection
- Membership of relevant associations such as Bitkom, BDI, VATM and eco
- Founding member of the German government's Corporate Digital Responsibility Initiative
- Communication with the judiciary as well as with security and data protection authorities in line with the statutory requirements
- Discussion rooms for the political sphere in Berlin and active exchange of opinions regarding digital policy in our hybrid events held at the BASECAMP
- BASECAMP.digital public affairs blog and social media channels
- O_2 Telefónica TecTalk video and audio format
- Transparency report on, for example, information requests submitted by government agencies

Suppliers and business partners

We maintain fair partnerships and ongoing dialogue with our suppliers in order to design our value chain to be more sustainable.

- Supplier website and reporting channels
- Ongoing dialogue based on assessment results
- Action plans for the improvement of high-risk suppliers
- Local audits
- Genuine feedback culture

Shareholders and investors

Our goal is to communicate our company's business model and strategy to capital market players transparently and comprehensibly.

- Annual General Meeting
- Regular reporting on finances, ESG and the financial year
- Capital market stakeholder management
- Non-Financial Report and CR Report
- Sustainability ratings

■ Cooperation   ■ Dialogue   ■ Consultation   ■ Information   ■ Empowerment & engagement

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**Principles of governance for
responsible corporate management**

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI 102-42; 102-43; 102-44

UNGC-Principles 1

STRATEGIC PRIORITIES
Social debate with top decision makers

Again, in the second year of the COVID-19 pandemic, we successfully held numerous dialogue events in a digital or hybrid format. In our O_2/ Telefónica TecTalk audio, video and podcast series launched in 2021 our CEO Markus Haas regularly meets renowned representatives from the fields of politics, business, science and society to discuss with them how to shape and expedite digitalisation and sustainability on the basis of a strong network infrastructure. The first guest at the O_2 Tower in Munich in mid-April was leader of the FDP party Christian Lindner, who has since gone on to have significant influence over the German government's digitalisation strategy in his capacity as Federal Minister of Finance. Dr Stefan Oschmann, former Chairman of the Executive Board of Merck, Alexander Sixt, CEO of the car hire company of the same name, and Klaus Dittrich, CEO of Messe München GmbH, were likewise guests in the year under review.

In June 2021 Markus Haas spoke about the future of digital policy on a panel with the Minister-President of Bavaria Markus Söder and other leading business figures during the annual conference of the Federation of German Industries (BDI). In July 2021 Haas discussed the significance of 5G for sustainable and networked mobility with Hildegard Müller, President of the German Association of the Automotive Industry (VDA), and Fabian Billing, Managing Partner of McKinsey Germany and Austria, at the Digital-Life-Design (DLD) summer conference. Two months later, Markus Haas then attended the DLD Circular conference and discussed how a circular economy could be made possible with the help of digitalisation and how operation of the data and energy networks needed for this could be made climate-friendly and environmentally sound, together with BMW Supervisory Board member Ann-Kristin Achleitner and Victoria Ossadnik, COO - Digital at E.ON.

Markus Haas additionally moderated a forum at the annual conference of Germany's Economic Council, which was attended among others by the Federal Minister for Economic Affairs and Energy at that time, Peter Altmaier.

As an initiator and partner of the *Der Tagesspiegel* newspaper's Data Debates, we regularly invite high-calibre guests from the worlds of politics, business, science and culture to our BASECAMP in Berlin to debate the impacts of digitalisation on society. The focuses in 2021 were the federal election campaign and new work. At Data Debates #18, figures including Prof. Dr Clemens Fuest, President of the ifo Institute, and Markus Haas discussed the German political parties' digital agendas ahead of the 2021 federal election. Together with politicians, they discussed the key next steps for successfully shaping Germany's digital future in the new legislative period. Data Debates #19 revolved around the future of work. The Telefónica Deutschland Group's Chief Human Resources Officer Nicole Gerhardt and Federal Minister of Labour and Social Affairs Hubertus Heil specifically discussed the question as to how employees could be prepared for the requirements of tomorrow's working world.

In March 2021 Markus Haas and Prof. Dr Clemens Fuest spoke about the coronavirus crisis as a catalyst and Germany's opportunities as a seat of industry in our BASECAMP ON AIR online series. Three months later, figures including climate researcher Prof. Markus Rex and Chief Financial Officer of the Telefónica Deutschland Group Markus Rolle discussed sustainable finance and how businesses and investors could slow climate change.

With the installed 5G indoor campus solution, the BASECAMP makes it possible for any interested politicians, business representatives, entrepreneurs and consumers to test and familiarise themselves with the new mobile communications technology in the real world. We also promote dialogue

regarding the material 5G topics there, for example in the Kitchen Talks. In May 2021 Telefónica Deutschland's Chief Officer for Legal and Corporate Affairs Valentina Daiber came together with, among others, the Hessian Minister for Digital Strategy and Development Prof. Dr Kristina Sinemus in the BASECAMP's digital debating forum to discuss the framework conditions for accelerated digitalisation in Germany.

In the UdL Digital Talk format (UdL stands for Unter den Linden), 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 and Sahra Wagenknecht. For example, we spoke in 2021 to Franziska Giffey, who was the Federal Minister for Family Affairs, Senior Citizens, Women and Youth at the time, about improvements in child and youth media protection. In the same year, we also spoke to the Federal Minister for the Environment, Nature Conservation and Nuclear Safety Svenja Schulze about sustainability and digitalisation as well as to the Minister-President of Saxony Michael Kretschmer about digitalisation in rural areas.

As part of our information campaign to tackle disinformation on the Internet ahead of the German federal election, we launched an online series of talks on our BASECAMP Instagram channel called "Faktisch betrachtet – Fit gegen Fake News" (Factually speaking – fit for fake news) in which senior citizens could engage in dialogue with representatives from the fields of politics, science and media to talk about their personal experience with fake news. The participants included the members of the Bundestag Omid Nouripour, Konstantin von Notz and Daniela Kluckert (more information in the "Digital skills" chapter).

GRI 102-42; 102-43; 102-44

UNGC-Principles 1

At the end of October 2021 there was a week-long focus at the BASECAMP on the topic of "Germany in 2025 – how digital will our society be?". Together with our partners, we shone a light on as many angles of digital Germany as possible in relation to the topics of education, administration, sustainability, participation and infrastructure. For example, an expert discussion was held with Prof. Dr Justus Haucap in a series entitled "Nachgefragt! Auf ein Wort mit ..." (Answers sought! A word with ...) in which the Director of the Düsseldorf Institute for Competition Economics (DICE) at Heinrich Heine University Düsseldorf explained how a success could be made of deregulation.

In other editions of "Nachgefragt! Auf ein Wort mit ...", we also discussed digital topics in relation to the COVID-19 pandemic – Markus Richter, State Secretary at the Federal Ministry of the Interior and Community (BMI), and Stephan Noller, CEO of Ubirch, spoke about the digital vaccination pass and the technical background. Henrik Tesch and Hartwig von Saß, the authors of the book *Corona – Deutschlands digitales Desaster (Wie ein Land seine Zukunft verspielt)* (Coronavirus – Germany's Digital Disaster (How a Country Is Squandering its Future)), shared their perspective on the lessons Germany should learn from the pandemic regarding digitalisation.

Events and dialogue to promote diversity

The Telefónica Deutschland Group maintains partnerships with organisations which promote girls' and women's employability in and interest in technical professions. For example, we are an active supporter of the initiative #SheTransformsIT ⬈, which champions there being more women in digitalisation (more information on the topic of equality can be found in the "Designing the work environment" chapter). On Girls' Day in April 2021 we were visited virtually by 50 girls aged between 10 and 16.

In a diverse workshop which TelefónicaConnects, a network of women at the company, played a leading role in organising, the girls were familiarised with a wide array of job profiles and female role models, from a network technician and a software developer to a service employee. On the occasion of Girls' Day, we also supported the social media format "Talking Tech: Girls and Women in ICT" of the International Telecommunication Union and the United Nations International Computing Centre. The Telefónica Deutschland Group's Chief Officer for Legal and Corporate Affairs Valentina Daiber gave a video interview.

In cooperation with Global Digital Women, we invited people to attend a panel discussion in February entitled "Männerberufe gibt es nicht – über Mut, Astronautinnen, Feuerwehrfrauen und Vorständinnen" (There are no male professions – on courage, female astronauts, female firefighters and female board members). This was attended among others by the Telefónica Deutschland Group's Chief Officer for Legal and Corporate Affairs Valentina Daiber, the astrophysicist and trainee astronaut Dr Suzanna Randall, Sabine Müller, CEO of DHL Consulting, and Thomas Kuhn, journalist with *WirtschaftsWoche* and voluntary firefighter. The second edition of the event in June went by the heading of "Generation Diversity – Über Babyboomer, GenXYZ, Respekt & Werte" (Generation Diversity – on baby boomers, Gen XYZ, respect and values). One of the aims of the event was to encourage businesses to attach greater importance to intergenerational cooperation and adopt a more targeted approach to advancing the careers of their female employees – irrespective of their age, circumstances or current career stage.

On the occasion of the European Championship football match between Germany and Hungary in June 2021 we took a visible stand in favour of diversity and tolerance and against homophobia by lighting up the top floor of the O_2 Tower, the tallest building in Munich, in the colours of the rainbow from all sides. Citing political neutrality, the Union of European Football Associations (UEFA) had previously prohibited the city of Munich from lighting up the football stadium in the colours of the rainbow.

The international Telefónica Group and the global forum One Young World share a long-standing partnership. In July 2021 the Telefónica Deutschland Group supported the One Young World Summit being held in Munich for the first time as a sponsor. Our Wayra innovation laboratory organised a breakout session and allowed the summit participants to share their experiences on the topic of "From the laboratory to practice – 5G- and data-based applications for social innovations" (more information on Wayra in the "Digital sustainability innovations" chapter).

We established young+restless for young executives and decision makers from Berlin's political arena, the start-up scene, the media world and the creative industry. The network, which has existed since 2015, has established itself as an integral part of the diverse Berlin scene with its events. In 2021 the young+restless events revolved around topics such as climate protection, digital journalism, urban mobility and transformation of the working world.

ESG ratings and sustainable corporate financing

CDP gave the Telefónica, S.A. Group the top mark of A for the eighth consecutive year in the year under review for its global leadership in climate protection. CDP's annual disclosure and assessment process serves as a guide for 590 investors with assets totalling more than USD 110 trillion. We have been able to repeatedly benefit from our good performance and positioning in ESG ratings in the area of sustainable corporate financing. For example, since 2016 we have taken out two loans totalling EUR 900 million with "Europe's climate bank", the European Investment Bank (EIB), which are tied among other things to the expansion of energy-efficient mobile communications networks and to compliance with environmental laws and standards.

In 2019 we were also the first German telecommunications company to take out a sustainability-linked loan in the amount of EUR 750 million with a term running until 2025. With this sustainable syndicated loan, the interest margin is tied among other things to the fulfilment of criteria in the areas of environmental and climate protection, social commitment and corporate governance. An independent sustainability rating produced annually by Sustainalytics is authoritative here, which we were able to improve in all of the ESG categories assessed once again in 2021 compared with the previous years. We were awarded the Top-Rated ESG Badge for the first time. Sustainalytics awarded this to only five of the 232 companies assessed in the telecommunications sector in 2021– we are ranked second in the industry.

Performance in ESG ratings and indices

Rating agency	Indices/ranking	Since
Bloomberg	Listed (70.49 %)	2019
EcoVadis	76/100 (Platinum – top 1 %)	2021
FTSE Russell	4.1/5	2016
ISS ESG	Prime B– (Good)	2016
Moody's Vigeo Eiris	66/100 (Advanced)	2016
MSCI	AA	2016
S&P Global	57/100	2021
Sustainalytics	12.4 (Low risk/ESG INDUSTRY TOP RATED)	2016

Note: the table contains the most recent assessments by institutions from 2021 or later, but based on information from this year.

We likewise further improved in the other ESG ratings of relevance to us in the year under review. These include the Dow Jones Sustainability Index (DJSI), the Morgan Stanley Capital International (MSCI) rating, the ISS ESG Corporate Rating and the Bloomberg Gender-Equality Index. We also perform well in the Vigeo Eiris and FTSE4Good ratings. In the EcoVadis sustainability assessment, which rates a company's business activities in the areas of the environment, labour and human rights, ethics and sustainable procurement, we were awarded a "very good"/Platinum rating.

Compliance and ethical principles

Commitment

We will act in accordance with all applicable laws, societal guidelines and values.

Our achievements

We developed a new e-learning programme to do even better at raising awareness of the topics of anti-corruption and conflicts of interest among the relevant employee groups. We also performed a risk assessment regarding money laundering in 2021. The anti-corruption subsection of our compliance management system successfully passed an external audit performed in accordance with the IDW AsS 980 standard.

0

cases of **corruption** in 2021

Certification of our compliance management system

Focus SDGs

We strive to comply with laws, societal regulations and values in all our internal and external processes. To this end, we continuously assess potential compliance risks and train the relevant employee groups.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

UN Global Compact

Human rights
Labour
Environment
Anti-corruption

CDR Initiative

CDR field of action:
Data handling

We will define ethical standards for handling data responsibly and will make them a part of our internal codes of conduct.

Corporate Digital Responsibility Initiative

GRI Management approach: Socioeconomic compliance (103-2; 103-3); Environmental compliance (103-2; 103-3); Non-discrimination (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Anti-corruption (103-2; 103-3); Anti-competitive behaviour (103-2; 103-3); Child labour (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Public policy (103-2; 103-3); Human rights assessment (103-2; 103-3); GRI 102-12; 102-16; 102-17; 102-20; 102-21; 102-25; 205-1; 205-2; 205-3; 206-1; 307-1; 407-1; 408-1; 409-1; 412-2; 415-1; 417-2; 417-3; 419-1

UNGC-Principles 1, 2, 3, 5, 10

Compliance and ethical principles

BASIC PRINCIPLE AND CHALLENGES
Legal compliance as the bedrock of our actions

Social and economic life are founded on integrity and legal conformity. Violations of rules and laws have negative economic, environmental and social impacts and can be detrimental to the upholding of human rights and equal opportunity. Compliance is not only an indispensable basic pre-requisite for our conduct. It also allows risks to be reduced and our business foundations to be pre-served – something which we seriously jeopardise if we fail to observe regulations and rules. These factors contribute to anti-corruption and conflicts of interest being identified as material non-financial topics for our company.

Our aim is to maintain and increase the trust-worthiness 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 additionally guide our conduct. Our principles in turn are based among other things on the UN Universal Declaration of Human Rights, the core labour

standards of the International Labour Organization (ILO) and the principles of the UN Global Compact, 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.

Conducting our business in accordance with the principles of efficient, sustainable and transparent corporate governance is a comprehensive require-ment for the Telefónica Deutschland Group. We follow the guidelines of the German Corporate Governance Code (GCGC) for this purpose. The declaration of compliance with the GCGC spe-cifications and our Management Declaration are published in the Annual Report and separately on our website.

For us, it is about more than merely meeting statutory requirements. We aspire to continuing to develop and ensuring that we act with integrity in the digital age. Digital transformation brings with it a number of legal challenges, but also offers us creative scope, for example regarding the develop-ment of e-learning programmes that are the right fit for employees. The efficient embedding of the compliance management system (CMS) within the company and targeted compliance measures are contributing to risks in the area of corporate crime being proactively identified and effectively combated.

PROCESSES AND MANAGEMENT
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 not only to severe financial damages, but also considerable damage to reputation. The Telefónica Deutschland Group condemns all forms of corrup-tion and this is reinforced with its zero-tolerance commitment. We annually oblige our senior man-agement employees to respect this commitment and comply with our anti-corruption guidelines ↗. All the employees are given regular instruction in anti-corruption and conflicts of interest as part of mandatory training on the Business Principles.

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 proactively identify risks and effectively manage them. We seek to prevent unfair practices such as corruption, corporate crime and fraud as best we can with preventive measures and, should we not manage this in isolated cases, to systematically uncover these practices and modify the measures if necessary.

GRI Management approach: Socioeconomic compliance (103-2; 103-3); Environmental compliance (103-2; 103-3); Non-discrimination (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Anti-corruption (103-2; 103-3); Anti-competitive behaviour (103-2; 103-3); Child labour (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Public policy (103-2; 103-3); Human rights assessment (103-2; 103-3); GRI 102-12; 102-16; 102-17; 102-20; 102-21; 102-25; 205-1; 205-2; 205-3; 206-1; 307-1; 407-1; 408-1; 409-1; 412-2; 415-1; 417-2; 417-3; 419-1

UNGC-Principles 1, 2, 3, 5, 10

We initiated a risk assessment on the topic of money laundering in 2021 with the aim of identifying all the divisions that could potentially come into contact with money laundering. The assessment did not indicate a high risk of money laundering in any of the divisions. Based on further analysing the risk areas, we will develop and execute measures aimed at raising awareness in 2022 such as training on it for those employed in the divisions with a medium money laundering risk.

Certification of our CMS
Our success is founded on our customers' trust. A key objective is therefore to maintain and continuously strengthen this. We absolutely want to avoid financial disadvantages or damage to our reputation resulting from compliance violations. We have therefore had an integrated CMS since 2004 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 General Counsel, 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 and the ongoing development of the CMS. BDO AG Wirtschaftsprüfungsgesellschaft audited and certified the anti-corruption subsection of our CMS in accordance with the IDW AsS 980 standard in the reporting year. This confirmed that our CMS features all the elements relevant to the detection of compliance violations and that these are implemented and regularly checked.

We have defined clear guidelines and specifications for the most important compliance aspects that affect daily business. In addition to the Business Principles, they include corruption prevention and competition law guidelines, guidelines on how to handle conflicts of interest, invitations, gifts and incentives, and the Telefónica Deutschland Group's Human Rights Policy. Regulations relating

to the procurement of services also apply, such as how to conduct business with service providers.

To guarantee the legally watertight and responsible handling of tip-offs, complaints and anonymous reports from stakeholders who are potentially affected, we defined a whistle-blower policy that formalised the process which had been practised for many years. Our whistle-blower reporting channel (confidential helpline) is there for all the employees, external staff, customers, suppliers, shareholders, partners and other stakeholders to use as an anonymous and secure channel via which to report violations of laws and regulations. Our whistle-blowing policy explicitly stipulates that whistle-blowers may not suffer any negative consequences. The protection of whistle-blowers from being disadvantaged is guaranteed through the involvement of an external lawyer who serves as an ombudsman. There is additionally a channel via which violations of human rights can be reported.

Compliance at the Telefónica Deutschland Group

Connecting people
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Principles of governance for responsible corporate management

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI Management approach: Socioeconomic compliance (103-2; 103-3); Environmental compliance (103-2; 103-3); Non-discrimination (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Anti-corruption (103-2; 103-3); Anti-competitive behaviour (103-2; 103-3); Child labour (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Public policy (103-2; 103-3); Human rights assessment (103-2; 103-3); GRI 102-12; 102-16; 102-17; 102-20; 102-21; 102-25; 205-1; 205-2; 205-3; 206-1; 307-1; 407-1; 408-1; 409-1; 412-2; 415-1; 417-2; 417-3; 419-1

UNGC-Principles 1, 2, 3, 5, 10

STRATEGIC PRIORITIES
Involving stakeholders in prevention

Keeping our employees closely involved is essential to implementing our compliance measures. We achieve this through targeted communication as well as surveys and training. Our business partners and suppliers are also subject to binding specifications. We oblige our suppliers to comply with the Supply Chain Sustainability Policy ⬈, have published a Human Rights Policy ⬈, are represented within industry associations and use Telefónica, S.A.'s complaints channel for suppliers. Suppliers must consent to our anti-corruption declaration in order to be commissioned with work.

To permanently sensitise our employees to these important issues, we conduct, among other things, compliance training online and at set intervals of between one and three years. There is mandatory participation in training on, for example, the Business Principles every three years, data protection annually, information security every two years and Germany's General Act on Equal Treatment (AGG) every three years. The AGG promotes diversity and combats workplace discrimination. Our executives on the top management level are also explicitly required to commit to complying with our Business Principles and anti-corruption guidelines ⬈ and are given training on this. Human rights issues are addressed here too. Up to the end of 2021 97.7 % of all the employees had been given training on the Business Principles in the past three years, equating to a total of 6,870 training hours[1].

Participation in training is monitored by the human resources system Success Factors. All employees receive automatic reminder emails as soon as they are due for mandatory training. Upon completion of the training, an electronic certificate attesting to the employee's successful participation is added to the system. The current level of training is reported to the Audit Committee, a Supervisory Board body, once per quarter. The Management Board likewise receives a quarterly report on the status of the conducting of mandatory compliance training, broken down by Management Board areas of responsibility. We continually review our training concept and adapt it to current developments and the actual needs.

Based on the risk assessment performed in 2020 on the topic of anti-corruption and conflicts of interest, we developed a new e-learning programme in 2021 in order to do even better at raising awareness of the topic among the relevant employee groups. The assessment showed that while the general mandatory training given every three years on the Business Principles did address the topic of anti-corruption and conflicts of interest, certain divisions within the company required more targeted and more regular training. This is now possible with the new training. In addition to the legal basics, the training covers the types of corruption and conflicts of interest that the employees could encounter in their day-to-day work as well as how to identify and adequately respond to attempted bribery. Additionally, the learning content goes into greater detail with the help of practical examples.

Furthermore, there is regular communication on topics relevant to corruption, for example emails and information on the intranet. If required, the Compliance department offers 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.

Anti-corruption

	Unit	**2021**	2020	2019
Total number of cases of corruption Confirmed suspected cases that led to measures related to labour law or sanctions	Number	**0**	0	0

[1] Proportion based on the number of employees of Telefónica Germany Group excluding employees on sabbatical and external consultants (employee base 7,030, previous year 7,717).

GRI Management approach: Socioeconomic compliance (103-2; 103-3); Environmental compliance (103-2; 103-3); Non-discrimination (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Anti-corruption (103-2; 103-3); Anti-competitive behaviour (103-2; 103-3); Child labour (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Public policy (103-2; 103-3); Human rights assessment (103-2; 103-3); GRI 102-12; 102-16; 102-17; 102-20; 102-21; 102-25; 205-1; 205-2; 205-3; 206-1; 307-1; 407-1; 408-1; 409-1; 412-2; 415-1; 417-2; 417-3; 419-1

UNGC-Principles 1, 2, 3, 5, 10

Careful investigation of allegations

Risk assessments in the areas of corruption and conflicts of interest are regularly conducted by us for Telefónica Germany GmbH & Co. OHG and all the subsidiaries; these were most recently done in 2020. All suspected cases of unfair practices such as corruption and the taking and giving of bribes that come to our attention are carefully examined. Any substantiated accusations are rigorously pursued and penalties are imposed accordingly. The integrated CMS 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. We received no reports of suspected cases of corrupt conduct in the reporting year 2021. As a result, no labour law sanctions were imposed on any employees. Court cases relating to AGG violations are recorded by our Human Resources department – no incidents were reported to us in the reporting year 2021. Likewise, no violations of the freedom of association or of collective bargaining came to our attention in the reporting year. We did not make any donations to political parties in 2021.

During the reporting period, no proceedings were initiated against the Telefónica Deutschland Group on the basis of anti-competitive behaviour, cartelisation or monopolisation. A complaint was made regarding an unfair competition violation which involved an objection being made to our advertising conduct. No complaints were lodged regarding our environmental impacts. Additionally, no fines or non-monetary sanctions were imposed on us due to failure to comply with environmental protection laws and regulations. It is currently not known to us how many sets of proceedings were under way in 2021 on the basis of violating the ordinance on the procedure for providing proof as regards limiting exposure to electromagnetic fields. Administrative delays mean we are currently unable to estimate the volume and number of possible fines.

Data protection and information security

Commitment

We work to ensure customers retain sovereignty over their data and remain the masters of their digital lives.

Our achievements

In 2021 we introduced an advisory process which ensures that all the relevant data protection issues are considered from the very beginning when new products and systems are developed. In a company-wide campaign, we raised awareness of the importance of data protection in day-to-day business and provided the employees with concrete tips on how they can protect our company, our customers and themselves. Cybersecurity constituted part of an extensive professional development initiative too.

45.7 million

mobile connections incl. M2M:
our customers entrust us with their data

0

sanctions due to data protection violations or in connection with security breaches

Focus SDGs

We ensure data protection and information security on the basis of strict rules and processes. Our customers should always have control over their personal data. Guaranteeing privacy protection and the safety of digital services are essential conditions for freedom of expression and the rule of law.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Data handling

We ensure that data is handled responsibly in the company and systematically further develop our data and information security.

Corporate Digital Responsibility Initiative

GRI Management approach: Customer
health and safety (103-2; 103-3);
Marketing and labelling (103-2; 103-3);
Customer privacy (103-2; 103-3);
GRI 102-12; 102-13, 102-43; 417-1

UNGC-Principles 1, 2

Data protection and information security

BASIC PRINCIPLE AND CHALLENGES
Responsible digitalisation calls for data protection and information security that are rigorous

Data security is of huge importance to society as the trust of people and their protection from risks serve as the foundations of successful digitalisation. The ongoing digitalisation process challenges us to rethink data protection and privacy, among other things against the background of the increasing general threat of cyberattacks.

The challenges of data protection and information security have been further heightened by the array of digital formats as a visible expression of the changes in the working world, the preferred option of working from home during the pandemic and the digitalisation impetus triggered by this – not only at our company, but also in our collaboration with our business partners.

Major company-wide IT projects in which the infrastructure is rearranged and data is transferred to the cloud call for careful planning and consideration of the data protection and information security requirements. At the same time, our company has to adapt to rapidly changing legal parameters. In addition to the tightening of the legal situation regarding the transfer of data to non-EU countries as a result of the Schrems II ruling, we have to respond to other national and EU-wide legislative initiatives that involve considerable advisory and implementation work, such as the amendment of Germany's Telecommunications Act (TKG) and the introduction of the Telecommunications Telemedia Data Protection Act (TTDSG) in 2021, the Catalogue of Security Requirements 2.0 and other new legal matters regarding data protection

and security in the digital world. The TTDSG, which entered into force on 1 December 2021, encompasses the main data protection regulations for telecommunications and telemedia services. The TTDSG establishes greater legal certainty and legal clarity regarding the protection of privacy in the digital world. It in particular offers protection against access to devices such as smartphones and computers by means of, for example, setting and evaluating cookies.

We are a company at which data is generated within its core business. Every day, millions of customers place their trust in the mobile network and services of the Telefónica Deutschland Group. Data protection and information security are therefore material topics when it comes to our company's responsible business conduct. It is about nothing less than the protection of our company and the trust that our customers place in us. Legal compliance in this area is essential for our reputation and for customer retention, both of which are crucial to business success. It also plays an important part in risk prevention as sanctions such as fines are then effectively avoided.

We therefore make the protection and security of our customers' data a top priority 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 as well as internal requirements, some of which go above and beyond the legal requirements. We also make a commitment in our Business Principles to data protection and to observing information security and transparency. The Telefónica Deutschland Group treats 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 guarantee that the Telefónica Deutschland Group's business activities comply with data protection regulations by means of suitable measures. In this context, continuously raising our employees' awareness of new data protection requirements is crucial.

PROCESSES AND MANAGEMENT
Clear rules and processes established

Clear rules and processes help to systematically meet the data protection requirements, 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 data protection management system (DPMS) with 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 and security. These include the guidelines for reporting data protection and information security incidents, the guidelines on data protection information obligations, the guidelines on data protection

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**Principles of governance for
responsible corporate management**

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI Management approach: Customer
health and safety (103-2; 103-3);
Marketing and labelling (103-2; 103-3);
Customer privacy (103-2; 103-3);
GRI 102-12; 102-13, 102-43; 417-1

UNGC-Principles 1, 2

agreements, the checklist for the rights of data subjects in accordance with the General Data Protection Regulation (GDPR) regarding the processing of users'/customers' data, the Privacy Consulting Process (PCP), the guidelines on the use of social apps and various procedural instructions. Our approach to identifying and minimising information security risks is documented in our security concept in accordance with Section 166 Telecommunications Act (TKG). Our privacy policy contains clear guidelines on the protection of personal data that often go above and beyond the statutory specifications. All the employees receive annual mandatory training on data protection. All employees are additionally obliged to observe data and telecommunications secrecy.

The Data Protection Officer and Chief Security Officer are responsible for the management and strategic focus of data protection and information security. They both report directly to the Telefónica Deutschland Group's Chief Officer for Legal and Corporate Affairs. The Management Board is thoroughly briefed on information security and data protection at least twice every quarter. In addition to reporting regularly to the company's Security Committee, Deep Dive Corporate Security and Deep Dive Data Protection, the departments also regularly report to the Supervisory Board's Audit Committee, doing so four times in the financial year 2021. The Chair of the Audit Committee reports to the Supervisory Board on the activities of the Audit Committee.

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 information security management system (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. The ISMS is based on the ISO 27001 standard. 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. The departments' systems and processes are regularly subjected to internal security and data protection assessments.

We work 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 data protection and information security audits among other things at our service providers' sites. Likewise, the Telefónica Deutschland Group has clear processes and regulations in place for involving subcontractors and sets corresponding requirements for contracts. Additionally, company processes are audited again and again by the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur) and the Federal Commissioner for Data Protection and Freedom of Information (BfDI) as the competent authorities.

We also have set rules in place for reporting data protection and security incidents; these are set out in the guidelines on security incidents and in the procedural instructions for data protection incidents and are communicated within the company. Our data protection hotline serves our customers as a first, conveniently reached point of contact for the reporting of incidents. 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.
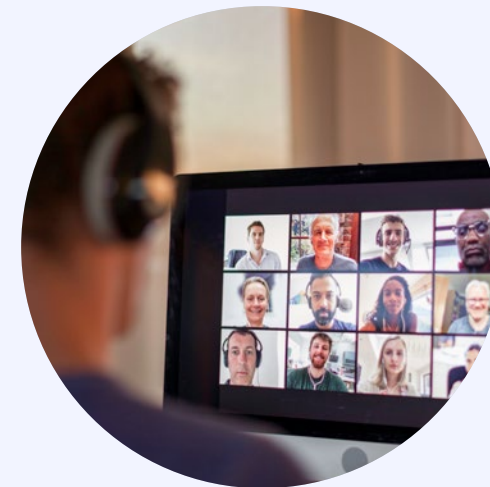
The Telefónica Deutschland Group's Cyber Defence Centre (CDC) is manned around the clock in order to reduce the company's cyber risks. The CDC is a central security centre that protects our company from cyberattacks and additionally takes up indications of risks from other sources (e.g. the Internet) in order to initiate preventive action. Here, key events in our networks and online are permanently analysed and evaluated. This helps to identify attacks and minimise their impacts with quick reactions. We also respond to the consequences of the ever-increasing threat of cybercrime with mitigating measures as part of our risk management for information security and data protection.

GRI. Management approach: Customer health and safety (103-2; 103-3); Marketing and labelling (103-2; 103-3); Customer privacy (103-2; 103-3); GRI 102-12; 102-13, 102-43; 417-1; 418-1

UNGC-Principles 1, 2

Before data is processed, we perform standardised checks within the IT development and analysis processes and in other division-specific processes. 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
- Presenting data usage transparently
- Being able 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

There were substantiated complaints concerning breaches of customer privacy and losses of customer data in the last financial year. Proceedings were initiated once due to data protection infringements and violations of the legal provisions in this area, but these were stopped without any fine being imposed. No other penalties in the form of fines were imposed on the basis of data protection violations.

16 reportable security breaches or incidents with regard to confidentiality, integrity and availability in connection with network and information security were identified in 2021. The incidents relate exclusively to the protection goal of availability and are attributable among other things to carrier or network element disruptions. No penalties in the form of fines were imposed on the basis of security violations or other incidents relating to network security.

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 the data of our customers 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.

Our employees regularly undergo mandatory training in the area of data protection and information security, including with the support of external data protection and security experts. Data protection coordinators who serve as an interface between a department's staff and the data protection team are regularly given especially extensive training. In the 2021 reporting year, 88.5 % of the employees took part in mandatory annual data protection training; this equates to 6,225 hours of training. The biennial mandatory training on information security was completed by 91 % of the employees in the past two years, equating to 4,796 training hours.[1] We not only want to maintain this share at this high level, but also to increase it.

Data protection and information security

In numbers	2021	2020	2019
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act (TKG))[1]	0	3	0
Penalties in the form of fines as a result of data protection violations in the reporting year	0	0	0
Reportable security breaches or incidents relating to information and network security	16	25	26
Penalties in the form of fines paid in relation to security breaches or other network security incidents	0	0	0

[1] Initiated proceedings during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. The three proceedings reported for the 2020 financial year were still ongoing in the current reporting year. Concluded proceedings generally lead to a penalty, a fine or abandonment of proceedings as a result of the authority's suspicion not being borne out. Fines are reported in the indicator "penalties in the form of fines as a result of data protection violations during the year".

[1] Share of data protection and information security training based on the number of employees of the Telefónica Deutschland Group, excluding employees on sabbatical and external consultants as well as temporary staff (employee base 7,030, previous year 7,717).

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**Principles of governance for
responsible corporate management**

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI Management approach: Customer
health and safety (103-2; 103-3);
Marketing and labelling (103-2; 103-3);
Customer privacy (103-2; 103-3);
GRI 102-12; 102-13, 102-43; 417-1; 418-1

UNGC-Principles 1, 2

In 2021 we continued with the employee campaign initiated in the previous year to raise awareness among all the employees regarding the processing of personal data in day-to-day business and the importance of data protection and provide them with concrete tips on how they can protect our company, our customers and themselves. In June 2021 cybersecurity constituted part of the company-wide Digital Basics professional development initiative. Cyber Security Month was held in October. Here, our security teams used live hacking sessions and videos to raise awareness of the dangers of cyberattacks, phishing and spam and presented protective measures, including tips on security when working from home.

The data protection team implemented an initiative in the reporting year to improve and simplify the data protection processes and means of communication, placing the focus on the employees. This involved the optimisation of the data protection pages and presentation of the relevant processes on the intranet. Measures were additionally identified, some of which have already been implemented, in order to optimise collaboration with the relevant projects and internal contacts. As another measure within the initiative, the chatbot Dascha was put into operation. This quickly and straightforwardly gives employees on the intranet answers to their questions concerning data processing and data protection. Dascha already contains 130 predefined responses to approximately 600 routine questions. The adaptive chatbot is continuously trained during ongoing operations and the answers it provides therefore improve.

In accordance with the GDPR, the effective protection of personal data must already be adequately implemented when a process or application is conceived ("privacy by design") and configured ("privacy by default"). We assist our employees in observing and documenting all the measures required for data protection with our own tools and checklists. The GDPR additionally obliges all division heads to structure and manage their data protection measures in a risk-oriented way. In the course of a project concluded in 2021 regarding the permanent implementation of data protection legislation, we overhauled and standardised the data protection advice process. The purpose of this process is to ensure that all the relevant data protection issues are clarified already at the stage when new products or new technical systems are under development.

The employees in all the departments have the opportunity to raise questions concerning customer communication and consent management with legal and data protection experts in a surgery held twice a week under the leadership of Customer Base Management to ensure that the planned communication measures are realised in a way which is compliant with the law and competition regulations.

If contracts concluded with service providers lead to data being accessed outside of the EU, additional contracts in accordance with the EU specifications must be drawn up. To this end, we evaluated the data protection levels of various third countries in 2021 and developed appropriate templates containing standard contractual clauses.

We further optimised our information security management system in the year under review and improved our risk management process. We also ramped up our control activities regarding our distribution partners.

Data protection and security standards further increased

To further optimise our standards for the protection of customer and employee data, we introduced among other things an email verification program in 2021 and implemented erasure concepts. We are also increasing our data protection standards with the ongoing training of our data protection coordinators in the departments.

The Telefónica Deutschland Group is increasingly transferring data to the cloud, not only to increase failure safety and reduce operating costs, but also in particular to be able to promptly offer our customers tailored solutions. We engaged in intensive consultation with the regulatory authorities in the run-up to this and a comprehensive security concept was submitted.

To increase the company's IT security, the Telefónica Deutschland Group developed a shared process model in close cooperation with Deutsche Telekom and Vodafone called Zero Impact to strengthen the telecommunications industry's resilience to cyberattacks. The focus of this joint initiative is on the network providers' operational security and on establishing a comparable and improved company security level. This involved the companies jointly identifying security capabilities and developing possible attack scenarios. With this change in perspective, the project initiated within the Telefónica Deutschland Group identified an array of measures to be implemented by 2022 in order to further enhance security throughout the Group.

Supply chain management

Commitment

We will take sustainability criteria into account in our purchasing processes and be dedicated to environmental, social and, above all, human rights standards in our supply chain.

Our achievements

We are using a new digital purchasing system and developed our own AI-based supplier monitoring system which we are gradually rolling out to include all the suppliers in order to identify potential risks early on. 100 % of the new suppliers managed by the Purchasing department have made a commitment to comply with our Supply Chain Sustainability Policy. We were awarded a "very good" rating for our business partners in the EcoVadis sustainability assessment, which rates our own business activities in the areas of the environment, labour and human rights, ethics and sustainable procurement.

100 %
of the new suppliers have accepted the
Supply Chain Sustainability Policy

77 %
of the high-risk suppliers underwent
an external sustainability assessment
(EcoVadis)

Focus SDGs
We champion the observance of human rights all along our supply chain and promote sustainable procurement management and supplier management that include ethical, social and environmental criteria. In this way, we intend to contribute to human dignity, combat poverty and climate change, protect employee rights and create a safe work environment around the world.

8 DECENT WORK AND ECONOMIC GROWTH

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Data handling

We set store by a digitalised and transparent procurement process. We are guided by our Group data protection standard and our security policy.

Corporate Digital Responsibility Initiative

GRI Management approach: procurement practices (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); Supplier environmental assessment (103-2; 103-3); GRI 102-9; 102-12; 412-3

UNGC-Principles 1, 2, 3, 4, 5, 6, 7, 8

Improving supply chain sustainability

BASIC PRINCIPLE AND CHALLENGES
Shaping purchasing responsibly

Protecting people and the environment is important to us in our complex global supply chains too. We endeavour to do justice to the increasing expectations of our stakeholders as well as to the requirements pursuant to international frameworks regarding sustainable value creation. These include in particular the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the United Nations Convention on the Rights of the Child, the Conventions of the International Labour Organization (ILO), the guidelines of the Organisation for Economic Co-operation and Development (OECD), the UN Global Compact, the SDGs and the ISO standards.

Making supplier relations sustainable enables us to first and foremost reduce the risk of any regulations being violated. This is dependent upon there being maximum transparency, which we wish to achieve by analysing our supply chain structures and identifying country-specific and product-specific risks. In the course of our materiality analysis, we ascertained that all along the value chain we ought to seize numerous opportunities with scope for influence in order to improve the social and environmental situation. We are committed to making the most of these opportunities based on efficient and responsible supplier management. The topic of human rights is highly relevant to us and we recognise extensive impact potential within our own operations and those of our direct suppliers. In view of the huge geopolitical relevance of this topic, we report on our voluntary commitments and measures in detail in this CR Report and online at our website ↗.

The due diligence legislation adopted in the year under review and due to come into force in Germany in 2023 will increase the demands made on companies regarding compliance with human rights throughout the supply chain. We support the legislation's objective of establishing stable and fair supply chains in which high human rights and environmental standards apply and are actively working to make the modifications needed within our organisation in relation to the new legislation.

The COVID-19 pandemic continues to result in supply bottlenecks. The global semiconductor shortage is affecting all sectors, including the telecommunications industry. In the year under review, we were in particular affected by shortages of routers and modems, mobile devices and network equipment.

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, reliability and transparency. In this way, we encourage our suppliers to observe not only quality standards regarding products and services, but also legal requirements as well as ethical, social, environmental and data protection standards throughout the supply chain. 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. Promoting dialogue, including on critical topics, is a matter of particular importance here.

However, we only have limited scope for action in upstream supply chains. Furthermore, the Telefónica Deutschland Group is not a production company. The end devices used and the network infrastructure including the transmitter masts are not manufactured by the company. Additionally, the global market is very limited in the areas of smartphones and network equipment, and the suppliers active in these areas are difficult to substitute.

The Telefónica, S.A. Group and the Telefónica Deutschland Group champion greater transparency and sustainability in the supply chain in international multi-stakeholder initiatives, for example with 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 sharing, 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 work closely with the Telefónica, S.A. Group on current topics, involvement in the initiatives and supplier audits and supplier assessments made via the EcoVadis platform.

GRI Management approach: procurement practices (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); Supplier environmental assessment (103-2; 103-3); GRI 102-9; 102-12; 102-48; 308-1; 308-2; 412-3

UNGC-Principles 1, 2, 3, 4, 5, 6, 7, 8

The Telefónica Deutschland Group achieved the highest rating of Platinum in the EcoVadis assessment in the year under review. In the categories of the environment, labour and human rights, sustainable procurement and ethics, we are among the top 1 % of the telecommunications companies assessed by EcoVadis.

PROCESSES AND MANAGEMENT
Clear responsibilities and requirements defined for suppliers

Telefónica Global Services GmbH (TGS), a subsidiary of the Telefónica, S.A. Group and a contractual partner of the Telefónica Deutschland Group, manages the processes surrounding the purchase of goods and services, including the registration of new suppliers, while process authority lies with the global company Telefónica Compras Electrónicas (TCE). TCE is responsible for strategy, development

and use of the e-commerce tools used in the procurement process. The majority of our suppliers are listed in the global purchasing model (MCT), which sets out a standardised procurement process within the Telefónica, S.A. Group. This model is in accordance with our Business Principles and is based on transparency, equal opportunity, objective decision-making and the sustainable management of our supply chain. 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. We have implemented a new digital purchasing system throughout the Telefónica, S.A. Group, including in Germany in January 2022, which, unlike its predecessor, is cloud-based and which continues to provide all the buyers with information regarding financial risks (Dun & Bradstreet) and the EcoVadis scores.

The Telefónica Deutschland Group works with the Group's national companies around the world and is in close contact with TGS and the Telefónica, S.A. Group, with which it conducts joint workshops on the management of purchasing matters at the global and local levels. If necessary, TGS coordinates its activities with, among others, the Telefónica Deutschland Group's Corporate

Responsibility & Sustainability (CR&S), Compliance, Legal and Data Protection departments to achieve supply chain sustainability. TGS is also represented on the human rights committee as well as on the energy and environmental committees as needed. TCE provides the TGS 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. The Corporate Responsibility and Sustainability (CR&S) department reports on this to the Chief Officer for Legal and Corporate Affairs.

Sustainable supplier management is part of our Responsible Business Plan 2025. We focus here in particular on topics related to the supply chain that have a big social and environmental impact. Collaboration with our suppliers is founded on the Supply Chain Sustainability Policy (SCSP), which is complemented by the internal Supplier Management Instruction. These follow our Business Principles, are based on the most important international treaties and standards and stipulate comprehensive minimum requirements for the suppliers and their sub-suppliers regarding responsible business. The gives a complete overview of the minimum requirements.

Impact of our business on society
Volume of purchases awarded, %/total
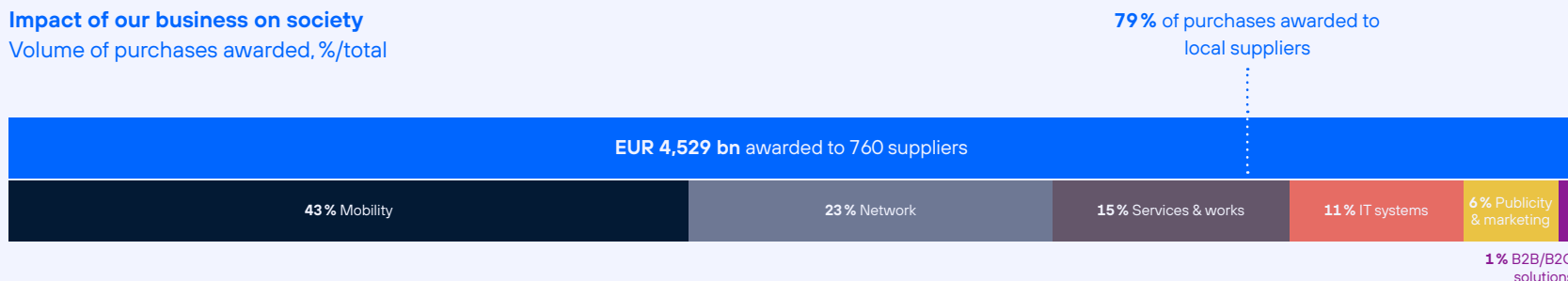
79 % of purchases awarded to local suppliers

EUR 4,529 bn awarded to 760 suppliers					
43 % Mobility	23 % Network	15 % Services & works	11 % IT systems	6 % Publicity & marketing	

1 % B2B/B2C solutions

GRI Management approach: procurement practices (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); Supplier environmental assessment (103-2; 103-3); GRI 102-9; 102-12; 102-48; 308-1; 412-3; 414-1; 414-2

UNGC-Principles 1, 2, 3, 4, 5, 6, 7, 8

The guidelines that serve as operational principles for a sustainable supply chain include the following Telefónica Deutschland Group guidelines:

- The Supply Chain Sustainability Policy ↗
- The purchasing guidelines
- The General Conditions for the Supply of Goods & Services ↗
- The low-carbon procurement guidelines ↗
- The Human Rights Policy ↗
- The anti-corruption guidelines ↗
- The Diversity & Inclusion Policy ↗
- The Group's data protection standard
- The safety policy
- The health policy including the manual on occupational health and safety management
- The environmental guidelines ↗
- The energy guidelines ↗

Suppliers and their employees have the opportunity to observe the minimum requirements for sustainable business by submitting questions or complaints. They can use the channel on our supplier website for this purpose as well as the channel for human rights complaints or they can contact an independent lawyer who serves as an anti-corruption ombudsman. Questions and complaints can be submitted anonymously or with the person stating their name. All enquiries are handled confidentially and are carefully examined. Should suppliers identify a violation of the obligations laid out in the SCSP within their own business or in the supply chain (including those of subcontractors), they are required to notify TGS as soon as possible.

STRATEGIC PRIORITIES
Minimising risks and improving supplier performance

Our sustainable supplier management is based on a four-stage process which is designed to identify value creation risks, effectively limit these together with the suppliers and improve the suppliers' performance in the area of corporate responsibility. To do this, the Telefónica Deutschland Group seeks to generate the awareness among its suppliers which is needed to strengthen sustainability management within the supply chain.

We pay particular attention to topics of relevance to the supply chain that have far-reaching social and environmental impacts and which are of significance to the industry as well as to our corporate strategy. Here, we follow the company-wide procurement model of the Telefónica, S.A. Group, which is in harmony with our principles of governance for responsible corporate management and is based on transparency, equal opportunity, objective decision-making and sustainability.

The suppliers receive all the relevant information via our supplier website. Our sustainable supplier management focuses on risk mitigation and trusting relations with our suppliers.

Step 1: implementation of the minimum requirements

All suppliers are required to make a contractual commitment to comply with the minimum requirements for responsible business as laid down in the SCSP. This policy ↗ serves as the basis for collaboration with the suppliers and for overall supply chain management. Suppliers are required to accept the global SCSP during registration in the supplier registration portal and the local SCSP in the e-sourcing template. Suppliers with whom we have been working for some time are required to undergo a renewal process and accept the latest SCSP within a year of its integration. In

addition to the requirements of the SCSP, there are the binding General Conditions for the Supply of Goods & Services, the anti-corruption declaration, the privacy policy and the terms and conditions of the supplier website ↗.

The Supplier Risk and Compliance Dashboard introduced in 2020 is a tool which provides employees in the Purchasing and CR&S departments with a clear overview of data and information on suppliers. Each of the suppliers' EcoVadis scores is accessible too. Furthermore, our Digital & Data Competence Center (DDC) developed its own AI-based supplier monitoring system in the year under review. This screens more than 150 million websites and over 20 social media platforms in three languages in order to identify potential risks early on. Following a trial run involving 80 of our direct suppliers in which environmental and social criteria are likewise taken into account, we will gradually expand this monitoring in 2022 to encompass all of our direct suppliers, followed by all of our indirect suppliers. The results that have been subject to a plausibility check will then be incorporated into the Supplier Risk and Compliance Dashboard.

We also want to incorporate the results of the analysis of emissions in the supply chain into this dashboard as the start-up The Climate Choice, which is cooperating with Wayra, is likewise assisting companies with decarbonisation. We are using The Climate Choice's software platform to record the climate-related data of around 1,000 suppliers. The top 50 suppliers will additionally be invited to perform a software-supported climate assessment in order to identify carbon emission reduction potential. The qualitative and quantitative data collected in this way are to serve as the basis for a Scope 3 decarbonisation strategy for the Telefónica Deutschland Group in order for it to analyse and ultimately reduce its own supply chain emissions.

In the year under review, the Telefónica Deutschland Group and the Telefónica, S.A. Group worked on drawing up and implementing procedural instructions regarding the SCSP for the departments, Purchasing and the CR&S department. The aim of these is to determine and define clear operational responsibilities all along the purchasing process (MCT) regarding how the SCSP rules should be implemented and how their application is to be monitored throughout the term of a contract. As all processes and structures will need to be revised due to the new Supply Chain Due Diligence Act (LkSG), it will not be possible for the procedural instructions to be implemented before 2023.

In the year under review, the Management Board of the Telefónica Deutschland Group approved new purchasing guidelines which specify further aspects of sustainable supplier management. These include rules regarding application of the Supplier Management (SuMa) tool for the transparent evaluation of strategic suppliers and their performance in the area of sustainability – each and every buyer must answer specific questions regarding a supplier's sustainability in consultation with the supplier and, if there is one, state their EcoVadis score. This sustainability evaluation is systematically taken into account in the supplier assessments. Furthermore, the principles of our responsible procurement and supplier management and the key sustainability requirements regarding ethical, social, ecological and data protection matters are likewise enshrined in the purchasing guidelines.

At the end of the 2021 reporting year, 100 % of our suppliers managed by Purchasing had accepted our anti-corruption declaration (2020: 99 %)[1]. 100 % of the new suppliers have made a commitment to comply with the Supply Chain Sustainability Policy[2]. As such, we take sustainability criteria into account for all of our total purchasing volume handled via our Telefónica purchasing model (MCT). By the end of 2023 suppliers who are outside this purchasing process (non-MCT), for example in the area of low-value purchasing processes and cross-company transactions such as licences and donations, will also be required to accept the Supply Chain Sustainability Policy.

Our approach: sustainable management of the supply chain

Risk management

Step 1
All suppliers must accept our minimum standards

Step 2
Identification of high-risk suppliers

Step 3
Evaluating the performance of our high-risk suppliers

Step 4
Audits (administrative or on-site) of the high-risk suppliers

[1] Concerns all new suppliers contracted in the reporting year
[2] All new suppliers are obliged as contractual partners to accept the Supply Chain Sustainability Policy.

GRI Management approach: procurement practices (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); Supplier environmental assessment (103-2; 103-3); GRI 102-9; 102-12

UNGC-Principles 1, 2, 3, 4, 5, 6, 7, 8

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

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

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, avoidance of single-use plastic, eco-rating
- Dealing with dangerous substances and chemical products
- Environmentally efficient consumption of materials and resources and atmospheric emissions
- Environmental training

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 anonymously who serves as an anti-corruption ombudsman ↗

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Employees

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Society and digital inclusion

Facts and figures

GRI Management approach: procurement practices (103-2; 103-3); Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); Supplier environmental assessment (103-2; 103-3); GRI 102-9; 102-12; 102-48; 308-1; 408-1; 409-1; 412-3; 414-1; 414-2

UNGC-Principles 1, 2, 3, 4, 5, 6, 7, 8

Step 2: identification of high-risk suppliers

We focus on the suppliers that are the most significant in terms of their potential risk level and the impacts on our business based on their order volume. With the systematic monitoring and the evaluation of potential high-risk suppliers by the Telefónica, S.A. Group with regard to sustainability aspects, we play a part in minimising non-financial risks right at the beginning of business relations. Risk analysis is based on three criteria.

Firstly, the potential risk level of the products and services supplied is evaluated, taking into account the minimum requirements for sustainability aspects within our supply chain as defined by us. These include in particular labour conditions, health and safety, the environment, human rights (child/forced labour), minerals from conflict zones, privacy protection, data protection and customer promises.

Secondly, we weight the risk based on the origin of the service or product and of its components. In this analysis, we also took into account the impacts of potential risks in the individual production countries in connection with the current pandemic.

Thirdly, here, the risk of a possible impact on our company's reputation is weighted. The assumption applied here is that the closer the ties between the service/product and Telefónica, the greater the impacts.

This three-stage risk analysis is performed for the Telefónica, S.A. Group at the beginning of each year and enables us to identify potential risk suppliers in our portfolio of suppliers based on sustainability aspects.

A distinction is drawn between suppliers with a low, medium and high risk. In 2021 59 (2020: 67) out of 760 suppliers (2020: 752) were identified as potentially high-risk suppliers[1]. If we identify a high risk in relation to a supplier, we require them to participate in an EcoVadis assessment (cf. step 3).

The Telefónica Deutschland Group also regularly performs more in-depth risk analyses in the supply chain. In 2019 and 2020 we performed human rights risk analyses for the product group mobile phones and accessories as well as services and works. We annually perform an internal human rights assessment to identify the risks for the

Telefónica Deutschland Group, and we did so again in 2021. The results are available on our website on the topic of human rights. The next comprehensive risk analysis is planned for 2022.

Step 3: assessment of our high-risk suppliers' performance

In the next step, we examine the possible risks of the suppliers identified in the initial analysis as potentially posing a risk. Our buyers use two online tools available on the purchasing platform:

- EcoVadis: we perform a 360° assessment of our most important risk suppliers on the basis of 21 sustainability criteria covering ethical, social and environmental aspects as well as supply chain management aspects, including conflict materials. The EcoVadis supplier assessments are incorporated into our procurement platform which allows our buyers in the various countries to view information online.
- Dow Jones Risk & Compliance service: we review our supplier database using Factiva, a database created by Dow Jones Risk & Compliance. This screening is performed on a daily basis. Thanks to this tool, we are able to identify potential risks relating to ethical conduct and corruption and thus strengthen our existing processes for compliance with our anti-corruption guidelines.

If a supplier fails to achieve the standards agreed as audited by EcoVadis and the Dow Jones Risk & Compliance service or is unable to provide the information requested, we require them to implement improvement plans in order to comply with our standards on the basis of the contractual agreements concluded. Additionally, further business with the supplier can be suspended until evidence is provided of the corrections demanded having been implemented.

Performance-based actions

Performance Sustainability	Action
Leading	Collaborate with the supplier to identify possible improvements or sharing of best practice.
Avanced	
Moderate	
Partial	Request a commitment from the supplier to implement an improvment plan in the coming year, with the aim of exceeding 44 points.
Insufficient	• Preventive suspension of business with the supplier • Report and agree an improvement plan with supplier

[1] In 2021, we adapted the analysis method to focus on suppliers that have a material impact on the company's business and strategy.

77 % of the potentially high-risk suppliers identified in 2021 were assessed by EcoVadis. This gives us the opportunity to demand concrete improvement measures and to monitor their implementation. 13 of the potentially high-risk suppliers already have improvement action plans (cf. step 4 for more information). This equates to 22 % of the high-risk suppliers.

Our target is for close to 100 % of high-risk suppliers to have an EcoVadis assessment by 2024.

We continued to assess suppliers via TGS's Supplier Management (SuMa) in the year under review, performing 49 assessments of 38 suppliers. The EcoVadis assessments are considered and evaluated in the SuMa process too.

No considerable actual or potentially negative environmental impacts were determined among individual suppliers in the year under review.

Step 4: audits of high-risk suppliers and preventive measures

The assessment of the performance of high-risk suppliers is complemented by our annual audit plan in order to determine that the critical aspects are being adhered to which were identified depending on the type of supplier, the service provided, the product and the risks of the individual regions or countries. The audits include improvement plans agreed upon with 100 % of the suppliers that do not comply with one of the aspects that could have negative social or environmental impacts. Here, we are backing a partnership with other information and communication technology companies that are united in the JAC initiative. The JAC audits in 2021 covered production facilities in Asia, Latin America and Eastern Europe. In this area, we work closely with the Telefónica, S.A. Group, can make audit suggestions, jointly review improvement plans and engage in dialogue with suppliers.

71 on-site audits were conducted via the JAC in 2021 (60 of which on Telefónica Group-wide suppliers), comprising 402 improvement measures to remedy the risks identified in the areas of ethics, labour conditions, health and safety, human rights (child labour and forced labour), conflict minerals, the environment, and data protection and information security. This concerned among other things adapting production plans to guarantee compliance with the maximum permissible working hours, control mechanisms to guarantee the payment of minimum wages, the provision of emergency exits, and training on the use of protective equipment. Plans featuring concrete energy-saving and carbon emission reduction measures were also developed and implemented.

At the Telefónica S.A., Group level, we continued our climate change programme with the most important suppliers in order to understand where their climate strategies stand and help them set more ambitious emission reduction targets. With this in mind, we incorporated the most important suppliers in terms of emissions into the CDP's supply chain programme. The Telefónica S.A., Group signed up to The Climate Pledge ⬈ to this end and committed to achieving net zero carbon emissions, including in Scope 3, by 2040 – a decade ahead of the deadline set in the Paris Agreement. The Climate Pledge is a call to action for businesses and organisations to jointly tackle the world's greatest crisis and together work towards a safe and healthy planet for future generations.

In another working group for living wages in the context of the JAC initiative, the Telefónica, S.A. Group is working to guarantee living wages in the information and communication technology (ICT) supply chain. With the aid of the JAC protocol which we apply to all audits performed as part of the initiative, we are playing a part in suppliers

Sustainable management of the supply chain: key figures

	Unit	2021	2020
Suppliers identified as potentially high-risk suppliers with regard to sustainability[1]	Number	59	67
Proportion of high-risk suppliers who underwent an external sustainability assessment (EcoVadis)	%	77	36
Number of potentially high-risk suppliers with an improvement plan	Number	13	18
Proportion of potentially high-risk suppliers with an improvement plan	%	22	27
Proportion of suppliers who have accepted the anti-corruption declaration[2]	%	100	99
Proportion of suppliers who have accepted the Supply Chain Sustainability Policy[2, 3]	%	100	100

[1] We adapted the analysis method in 2021 in order to focus on the suppliers who have a material influence on the company's business and strategy.
[2] Concerns all new suppliers contracted in the reporting year
[3] All new suppliers are obliged as contractual partners to accept the Supply Chain Sustainability Policy.

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Facts and figures

GRI Management approach: procurement
practices (103-2; 103-3); Freedom of associa-
tion and collective bargaining (103-2; 103-3);
Forced or compulsory labour (103-2; 103-3);
Child labour (103-2; 103-3); Human rights
assessment (103-2; 103-3); Supplier social
assessment (103-2; 103-3); Supplier environ-
mental assessment (103-2; 103-3);
GRI 102-9; 102-12; 308-2

UNGC-Principles 1, 2, 3, 4, 5, 6, 7, 8

paying their employees a fair and appropriate wage which is high enough to guarantee a suitable standard of living. There is also a human rights working group which was founded as part of the JAC initiative in 2021 to promote the upholding of human rights throughout our value chain. We jointly analyse new regulations and trends that might have an impact on our suppliers and realise initiatives to combat potential risks in the ICT sup-ply chain.

The Telefónica Deutschland Group also performed its own local audits in 2021. On-site audits were performed on eight suppliers in the risk areas of privacy and data protection. An additional six audits not connected to any particular site were conducted in the area of data protection. There were also 122 on-site audits of ten suppliers in the risk area of occupational health and safety. Improvement plans were developed and imple-mented where non-compliance was ascertained.

Particular responsibility in dealing with conflict minerals

We are especially keen to minimise the human rights risks in our supply chain that go hand in hand with the use of what are known as conflict minerals, such as tin, tantalum, tungsten and gold, as well as their mining and sale for the funding of armed conflict in crisis regions.

Here, we follow the global activities of the Telefónica, S.A. Group, which also set the frame-work for our actions. Although there are no direct business relations with smelting works or refineries in the upstream supply chain, the Group is con-tinuously strengthening transparency of the origins and control of the use of these minerals through-out its value chain.

Our minerals policy is presented in our SCSP ↗ and is based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Con-flict-Affected and High-Risk Areas. All of our sup-pliers are required to accept this policy and make a commitment to the responsible procurement of minerals. The aim is to guarantee the traceability of 3TG minerals (tin, tantalum, tungsten and gold) from conflict regions and to minimise the risk of human rights violations. The Telefónica, S.A. Group also complies with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act in the USA. In the downstream supply chain, we cooperate with a smelting works located in Europe in the area of hardware recycling.

Risk suppliers from a minerals perspective are assessed using the EcoVadis platform regarding the implementation of guidelines and due dili-gence processes for conflict minerals and of risk reduction measures. The Telefónica, S.A. Group additionally requires our main suppliers to submit the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI) to increase transparency regarding the smelting works and refineries used throughout the supply chain. The suppliers' responses are checked and, if risks are ascertained, plans for corrective actions are established and then followed up. If necessary, implementation of the measures is checked by means of JAC audits.

The Telefónica, S.A. Group promotes transparency and sustainability in the supply chain as a member of the Responsible Minerals Initiative (RMI) and the Public-Private Alliance for Responsible Minerals Trade (PPA).

GRI Management approach: Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); GRI 102-16

UNGC-Principles 1, 2, 3, 4, 5, 6

Human rights due diligence

BASIC PRINCIPLE AND CHALLENGES
Upholding human rights and containing risks

Upholding human rights is a key issue for business and society and is increasingly frequently the focus of public debate. It is not only in global supply chains and production facilities of developing countries and emerging nations that there is a risk of violations and actual human rights infringements such as child or forced labour. Developed nations too are by no means immune to human rights risks, be it regarding discrimination or the violation of privacy or data protection.

At the international level, an array of agreements and treaties help to emphasise the significance of human rights issues and oblige the state and companies to act. These do not only include the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. The principles of the UN Global Compact and the SDGs likewise explicitly target improvements in the human rights situation, in particular SDG 8 – Decent Work and Economic Growth. There has also recently been increasing regulation of human rights issues at the national level, as expressed in the Supply Chain Due Diligence Act (LkSG) passed by the German Bundestag in 2021.

We are committed to observing the United Nations Guiding Principles on Business and Human Rights. In addition to our Business Principles ↗ and our Digital Manifesto ↗, we have set out our commitment in our Declaration of Principles on Respecting Human Rights ↗ and are dedicated to realising the goals of the German government's National Action Plan for Business and Human Rights (NAP). We respect the right of employees to belong to a trade union organisation and we stand up for equal opportunity and treating all people as equals irrespective of skin colour, nationality, ethnic origin, religion, gender or sexual orientation.

We reject all forms of child or forced labour. The International Labour Organization (ILO) declared 2021 the International Year for the Elimination of Child Labour, but the target failed to be met due to the COVID-19 pandemic. Years of success in combating child labour are at stake because as poverty increases, so too does the significance of child labour as a mechanism for the affected families to overcome poverty. We feel we have a particular obligation to children, young people and their protection. This applies to all of our business activities. We are guided here by UNICEF's Children's Rights and Business Principles and the children's rights conventions of the United Nations and the ILO.

The Telefónica Deutschland Group is committed to respecting and protecting human rights all along the value chain. In this regard, it follows not only the regulatory requirements, but also its own understanding of values as enshrined in the Business Principles. We are aware of the fact that, due to the form and scope of our business activities, we face the risk of possible human rights violations all along the value chain. Data protection and security, freedom of expression and decent labour conditions are just a few examples of rights regarding which we play a material role and which we enforce both internally (employees) and externally (suppliers and customers). However, connectivity is also an important instrument for facilitating and promoting human rights, for example through access to information and the exchange of ideas. We see this potential as an opportunity to develop products and services that promote economic and social development.

Identifying and monitoring sustainability risks in the supply chain and at our own sites is especially important to us in order for us to nip the emergence of legal liability and penalty mechanisms in the bud. Efficient compliance in the area of human rights additionally serves our reputation and our ability to compete. Furthermore, we consider how digitalisation and mobile communication can contribute to the promotion of human rights and improving quality of life and where these potentially limit privacy, freedom of expression, equality and employment quality.

We firmly believe that assessing and managing the impacts of our activities on human rights is fundamentally important for the sustainability of our business. The Telefónica, S.A. Group has been part of the UN Global Compact since 2002 now and actively works with all of its national companies to fulfil the obligations this involves. Based on this obligation, we made upholding human rights a cornerstone of our Business Principles in 2006. With our own accession to the UN Global Compact in 2020 as the German national company, we again underpinned our aspiration and our obligation regarding a responsible human rights policy.

GRI Management approach: Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); GRI 102-16

UNGC-Principles 1, 2, 3, 4, 5, 6

PROCESSES AND MANAGEMENT
Management system for due diligence fulfilment

The Management Board of the Telefónica Deutschland Group bears responsibility for reviewing the performance and implementation of our human rights due diligence.

Our human rights committee interdisciplinarily advances this topic and maintains ongoing dialogue with the Management Board. The committee comprises representatives of the CR&S; Compliance; Legal and Capital Market Law; Data Protection; and Human Resources departments as well as a representative each of the Telefónica, S.A. Group and the purchasing company Telefónica Global Services (TGS). The members, who are available to all the employees as central points of contact and advisors, including the employees of affiliated companies, assume additional responsibilities based on their areas of activity. The CR&S department is responsible for managing the human rights committee and for performing risk analyses relating to human rights.

The human rights committee affords us swift agency when it comes to responding to or handling incidents regarding human rights that are reported via our human rights reporting channel or concerning any modifications needed in our management approaches and policies. It also guarantees the monitoring of our human rights due diligence within the company such as, among other things, the functionality of our grievance mechanism.

Our management system for the protection of human rights has a conceptional superstructure that focuses on the process for due diligence fulfilment (human rights due diligence system) and is based on the UN Guiding Principles on Business and Human Rights. The process comprises five components:

As such, the fulfilment of human rights due diligence obligations is a key part of strengthening our sustainable corporate governance. The principle of due diligence as the basis for conscientious action is an instrument which has been introduced in other areas of law too and is already applied to the assessment of business actions.

The UN Guiding Principles on Business and Human Rights specify the concept in relation to the potential and actual impacts of business activities on human rights globally and represent the current international frame of reference for business and human rights. The concept of the human rights due diligence system derived from this involves companies establishing procedures for determining their potential and actual negative

Our due diligence process
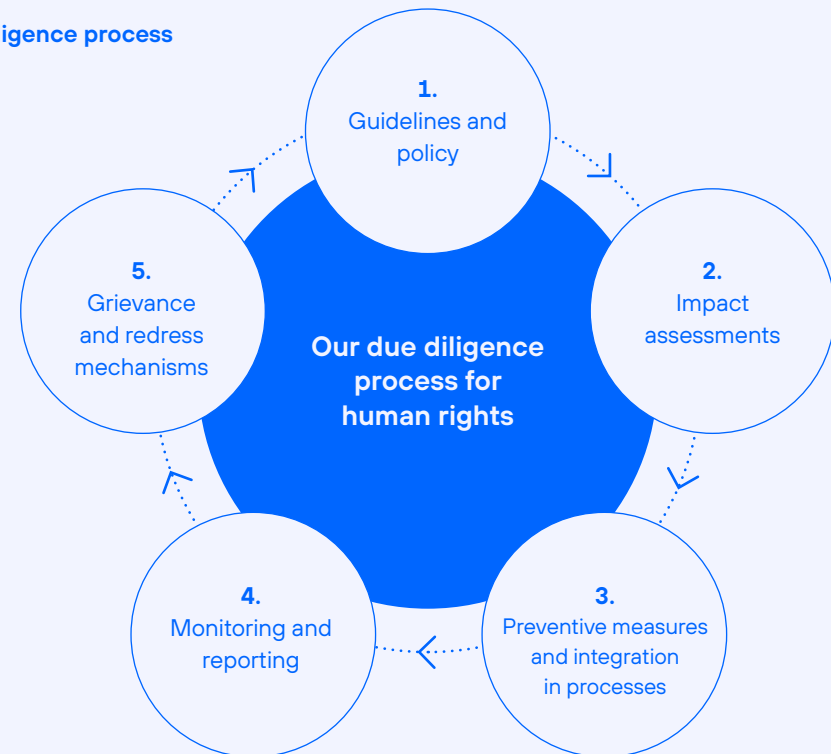
Our due diligence process for human rights

1. Guidelines and policy
2. Impact assessments
3. Preventive measures and integration in processes
4. Monitoring and reporting
5. Grievance and redress mechanisms

impacts on people and taking action to prevent such impacts and to avoid, end or remedy them insofar as damage has already been caused.

The results of our human rights approach based on this principle should include stable supply chains and improved relations with suppliers, easier access to investments and funds, employee recruitment and retention, new partnerships and cooperations locally and a contribution to value creation and innovation.

We have been extending responsibility for upholding human rights to our suppliers and sub-suppliers too for many years now. The minimum requirements made of our suppliers and sub-suppliers regarding the observance of human rights are set out in the Supply Chain Sustainability Policy. The suppliers are required to digitally agree to these in the course of the supplier registration process to be able to proceed with the commissioning process. More information on this can be found in the "Supply chain management" chapter.

STRATEGIC PRIORITIES
**Implementation of the human rights
due diligence process**

**1. Policy: Human Rights Policy and Declaration
of Principles**
The Telefónica Deutschland Group is committed to its Declaration of Principles on Respecting Human Rights ↗ and acknowledges its responsibility for its value chain. This declaration includes orientation towards globally accepted human rights frameworks and standards, the guidelines applicable internally as well as to our business partners, the importance of human rights risk analyses, the establishment of human rights areas of action, grievance mechanisms, structures and responsibilities within the company and reporting principles.

The Telefónica Deutschland Group's Human Rights Policy ↗ specifies our company's obligations to uphold human rights. This looks in detail at the action guidelines for the key stakeholder groups, such as the customers, employees, society and business partners, and explains the work steps involved in the human rights due diligence process.

The Supply Chain Due Diligence Act (LkSG), which enters into force in 2023, requires companies to establish an appropriate and effective risk management system for compliance with human rights due diligence, with the system being enshrined in all the essential business processes by means of appropriate measures. The Telefónica Deutschland Group already has in place the elements needed for such a risk management system and set itself the target of developing company-wide processes and structures to ensure compliance with the LkSG by the end of 2021. However, the complexity of this task made it necessary for target attainment to be postponed to 2022.

We made significant progress with the development of processes and structures in the year under review. We began to develop human rights strategy procedural instructions. These define the human rights due diligence processes and structures that will be needed to comply with the LkSG. The Human Rights Policy was incorporated into the newly revised donation guidelines and purchasing guidelines in the year under review in order to add human rights aspects to the management approaches. Human rights aspects were additionally incorporated into the guidelines for ethically responsible communication ↗ and the internal marketing guidelines. Particular attention was paid here to environmental requirements and the protection of children and young people. We will endeavour to further incorporate the relevant parts of our Human Rights Policy into the existing management approaches by the end of 2022.

**2. Risk analyses: identifying human rights risks
and areas of action**
The Telefónica Deutschland Group performs an annual analysis of human rights risks as part of its company-wide risk management process. Human rights risks are considered from two perspectives. There is the inside-out perspective, which relates to the human rights risks caused by the company's business activities. Then there is the outside-in perspective, which examines risks that can affect the business activities from outside. The assessment performed in 2021 did not bring to light any serious human rights risks for the Telefónica Deutschland Group, and this is first and foremost attributable to its efficient management system as well as risk-minimising guidelines and measures.

The Telefónica, S.A. Group additionally performs regular impact assessments at the global and national levels, most recently in 2013 and 2018. External experts from, for example, the organisations Business for Social Responsibility and Business and Human Rights are brought in here. With the aid of these assessments, we want to understand the impact that our business activities, our business relations and our products and services have on human rights and determine the topics that are priorities for the Group and regarding which we will execute specific measures. These include the network and artificial intelligence or human rights issues such as safe working conditions, children's rights, privacy and freedom of expression.

GRI Management approach: Freedom of association and collective bargaining (103-2; 103-3); Forced or compulsory labour (103-2; 103-3); Child labour (103-2; 103-3); Human rights assessment (103-2; 103-3); Supplier social assessment (103-2; 103-3); GRI 102-16; 412-2

UNGC-Principles 1, 2, 3, 4, 5, 6

Priority issues for Telefónica, S.A. Group concerning human rights

■ Human rights issues identified ■ Impacted groups

Direct action

Network deployment

- Ownership
- Health and safety
- Information

- Indigenous peoples
- Local communities
- Own employees
- Workers in our supply chain

Terms and conditions for products/services

- Equality and non- discrimination
- Freedom of opinion and expression
- Responsible communication
- Data protection
- Privacy and data security
- Health and safety
- Intellectual property, industrial property and copyright

- Minors/seniors
- Women
- Persons with disabilities
- Other groups potentially facing discrimination

New technologies and developments related to artificial intelligence

- Privacy
- Security
- Equality and non-discrimination
- Other rights that may be affected

- Minors/seniors
- Women
- Persons with disabilities
- Ethnic minorities
- Other groups potentially facing discrimination

Working conditions

- Equality and non-discrimination
- Health and safety
- Fair and satisfactory working conditions
- Freedom of association, social dialogue and trade union rights
- Combating forced labour and other modern forms of slavery
- Child labour

- Own employees
- Minors/seniors
- Women
- Persons with disabilities
- Ethnic minorities
- Other groups potentially facing discrimination

Indirect action

Supply chain

- Equality and non-discrimination
- Employment rights and rights associated with conflict minerals
- Forced labour and other modern forms of slavery
- Child labour

- Workers in our supply chain
- Minors/seniors
- Women
- Persons with disabilities
- Ethnic minorities
- Other groups facing potential impacts

Mergers, acquisitions and strategic alliances

Contributes to	Environmental impact	Environmental impact	Financial responsibility	Digital divide	Prevention of corruption and bribery	Education

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association and collective bargaining (103-2;
103-3); Forced or compulsory labour (103-2;
103-3); Child labour (103-2; 103-3); Human
rights assessment (103-2; 103-3); Supplier
social assessment (103-2; 103-3);
GRI 102-16; 205-2; 408-1; 409-1; 412-1;
412-2; 412-3

UNGC-Principles 1, 2, 3, 4, 5, 6

The Telefónica Deutschland Group has additional-
ly expanded its previous endeavours to include its
own human rights risk analyses for specific product
groups in order to identify potential human rights
risks in its own area of business and those posed
by its direct suppliers. In 2018 mobile phones and
accessories were analysed and in 2020 services
and works were examined. Based on the results,
we identified nine human rights areas of action for
the Telefónica Deutschland Group that we wish to
focus on.

The results of our risk analyses can be found on
our website ↗. By the end of 2022 we want to have
implemented the measures which we will derive
from the human rights risk analysis in the area of
services and works, such as further development
of the human rights complaints channel and
greater transparency in communication with those
directly affected. We will conduct further specific
risk analyses in the years to come regarding specif-
ic aspects or product groups.

**3. Preventive measures and incorporation
into processes**
We see our commitment to upholding human
rights and the performance of appropriate risk
analyses as an ongoing process that has to be
continuously adjusted and developed. We incorp-
orate the conclusions drawn from our risk analyses
into our processes and decide upon measures
relating to the prioritised topics, and we intend to
review their effectiveness regularly.

We have incorporated the fundamental human
rights risk into the Telefónica Deutschland Group's
risk management system. The individual divisions
incorporate fundamental potential risks regarding
human rights or environmental aspects into their
existing management processes and implement
measures to minimise the prioritised risks accord-
ingly. For example, us developing the guidelines

Identified human rights fields of action of the Telefónica Deutschland Group	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

for ethically responsible communication in the year
under review can be attributed to the results of our
risk analyses. In a further step, internal marketing
guidelines were developed to serve as a guide to
all promotion and events, and these are also man-
datory for our agencies.

To strengthen human rights in the supply chain,
we conducted on-site audits at selected suppliers'
premises in 2021, for example in the areas of em-
ployee health and safety and also data protection.
When performing other audits, such as those in
relation to labour conditions and child and forced
labour, we make use of the Joint Audit Cooperation
(JAC) initiative. More information and mitigating
measures can be found in the "Supply chain
management" chapter.

We will continue to pursue the goals we set our-
selves in our Responsible Business Plan 2025 in
the area of supply chain management. Firstly, close
to 100% of high-risk suppliers must in 2024 be able
to present an external sustainability assessment
(which includes human rights) performed by Eco-
Vadis. Secondly, we want to broaden the sphere
of action of our Supply Chain Sustainability Policy

(SCSP): the SCSP has already been confirmed
by 100% of the suppliers processed via our pur-
chasing system. And the remaining suppliers who
are processed outside of our purchasing model
(around 29%), for example in the area of low-value
purchasing processes and cross-company pur-
chases such as licences, will be required to accept
the SCSP by 2023.

In the context of complying with the LkSG, we
will report annually on the implementation of our
human rights due diligence and the measures
effected.

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UNGC-Principles 1, 2, 3, 4, 5, 6

Human rights in the value chain
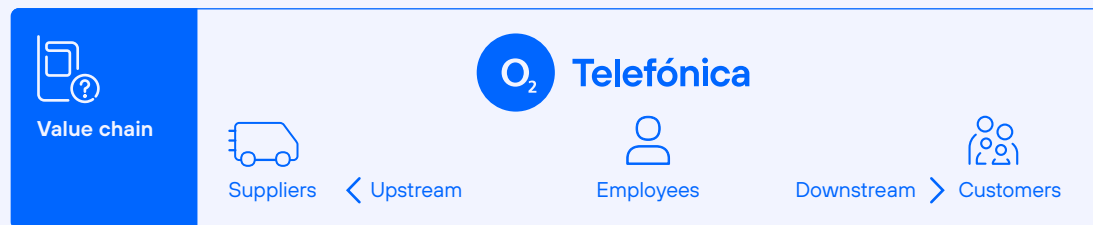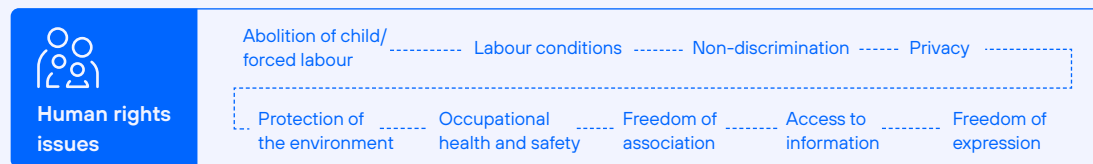
4. Monitoring and reporting
We continuously monitor the analysed impacts of our business activities on the topic of human rights. Human rights risks are recorded in our risk management system to this end. The impact assessments are also updated by the Telefónica, S.A. Group every four years and by the Telefónica Deutschland Group every two years regarding the individual product groups. We also developed AI-based supplier monitoring for social, human rights and environmental sustainability aspects in the year under review. More information on this can be found in the "Supply chain management" chapter.

We are additionally involved in multi-stakeholder initiatives such as the UN Global Compact and the Global Network Initiative (GNI) with the aim of accommodating the trends and expectations in the area of human rights relating both to our industry and the countries in which the Telefónica, S.A. Group is active. In Germany, this is the case for Global Compact Network Germany.

In an annual report to the Management Board of the Telefónica Deutschland Group, the human rights committee provides information on the latest human rights developments in politics and society

as well as within our company and on the monitoring of human rights risk management. The report is complemented by an annual plan for the implementation of our due diligence obligations. We also report transparently on human rights issues in our annual CR Report and make information on this available via our company website.

Like other companies in our industry, we at Telefónica receive requests throughout the Group for information from law enforcement authorities. For example, information is requested about the communications of customers or requests are made for access to certain websites to be blocked. Transparency is crucial for us in this context as information requests of this kind impact on the two human rights of the right to privacy and the right to freedom of expression. We report in detail on this topic in our global Report on Transparency ↗.

5. Grievance measures and corrective actions
Even with the measures we implement to protect human rights, violations cannot be entirely ruled out and it is possible that they are not adequately brought to our attention. The Telefónica Deutschland Group puts the humanrights-de@telefonica.com ↗ reporting channel at its stakeholders' disposal 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. At the same time, the Telefónica Deutschland Group ombudsman can be contacted via a confidential helpline at all times. Anonymity, confidentiality and equal treatment are guaranteed. Here, too, compliance with our privacy policies is a top priority. The complaints and enquiries are generally handled by our company's human rights committee in order to identify a solution, a response or corrective action within an appropriate time. One complaint relating

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UNGC-Principles 1, 2, 3, 4, 5, 6

to human rights was submitted to us via our human rights channel in 2021. The complaint related to what one customer considered to be a discriminatory attitude on the part of a shop employee. Discussions were held with those responsible, the company's observance of equality, equal treatment and equal opportunity was stressed in a statement issued and all of the employees at the shop were sensitised to that effect.

Training and dialogue to raise awareness regarding human rights issues
We gave 97.7 %[1] of our employees training in human rights issues over the past three years as part of our mandatory training on the Business Principles. Not only do we want to maintain this proportion at such a high level, we also want to further increase it. Furthermore, as well as working in close liaison with the human rights committee, we communicate closely with various departments regarding human rights topics. We realised in the year under review that our dialogue with our employees had increased, especially in the course of the annual risk assessments and due to our joint preparations for the Supply Chain Due Diligence Act (LkSG). The relevant departments are therefore especially sensitised.

Upholding children's rights in our business activities
The Telefónica Deutschland Group has made a commitment to protecting in particular children and young people in all of its business activities. Our actions are guided first and foremost by UNICEF's Children's Rights and Business Principles. We have defined the prohibition of child labour and the protection of minors as a human rights area of action for our company. In our Human Rights Policy, we exclude child labour in our own business activities and oblige all of our suppliers to exclude child labour in our supply chain.

To meet our target of strengthening children's rights and preventing child labour, we published commitments ⌝ on our website in the year under review that teach our employees and our stakeholders about our position. We examined the principles of UNICEF, the ILO and Global Compact in terms of the requirements and developed appropriate measures for these together with the relevant departments. We also incorporated children's rights and the protection of young people into the new guidelines for ethically responsible communication ⌝ and the internal marketing guidelines.

For many years now, we have been working to strengthen the media skills of children and young people and supporting parents with guides and pamphlets (more information on this in the "Digital skills" chapter). For over 15 years, we have 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. Via contractual provisions, we ensure that youth protection is integrated into the product and offering design of our business partners. In our communications too, we make sure not to disseminate any content that may harm children and young people or could exploit their easier manipulability (more information in the "Product and service experience" chapter). In addition, we want to use our communication measures to continuously foster awareness of human rights and the rights of children and young people.

[1] Proportion based on the number of employees of Telefónica Deutschland Group including the subsidiaries, excluding employees on sabbatical and external consultants (employee base 7,030, previous year 7,717). The calculation includes the completed training units of the last three years. For 2021 this means 6,870 completed training units from 1 January 2019 to 31 December 2021.

Supporting a sustainable lifestyle

Top customer satisfaction

Digital sustainability innovations

Network quality and coverage

Product and service experience

Mission for 2025

We will offer our customers products and services which support a sustainable lifestyle.

NPS stable

Customer satisfaction remains at a stable level

Around **30 %**

of the population covered by 5G

Product and service experience

Commitment

We will offer our customers the best value for money and service experience, and we will enable them to live their lives more sustainably.

Our achievements

We further developed the digital services used in customer service in 2021 and now use a tool that allows us to analyse customer feedback even more quickly and derive improvements. We also expanded our offerings for business customers in the areas of the IoT and cloud-based networks. The customers of our ethnic brands Ortel and AY YILDIZ have new digital access channels and simplified digital payment methods at their disposal. We also further developed our safety solutions for additional youth protection.

88.9 %
of our O_2 customers remain loyal

3.1 million
viewings of the videos we made available regarding digital and service topics

Focus SDGs

Our customers and their access to digital services are our top priority. We promote inclusive and sustainable connectivity and offer digital and analogue advice regarding all of our products and services. We provide the customers with information that helps them select products from a sustainability perspective.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Data handling

We ensure that our customers have transparency at all times regarding how their data is used and that they themselves can decide how it is used.

Corporate Digital Responsibility Initiative

GRI Management approach: Indirect
economic impact (103-2; 103-3); Marketing
and labelling (103-2; 103-3); Customer
health and safety (103-2; 103-3);
GRI 102-43; 203-1; 203-2; 417-1

UNGC-Principles 1

Product and service experience

BASIC PRINCIPLE AND CHALLENGES
Focus on the customers

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, general prosperity and social justice as well as sustainability. As a provider of digital telecommunications, we are at the heart of this development technologically and with the services we provide to the customers. We aspire to enabling everyone to participate in digital life in order that they can sustainably shape their futures.

Our company finds itself in a market environment which remains rational but dynamic and was able to stand its ground in 2021 as well as record solid customer development. In this environment characterised by momentous technical change, we face the challenge of meeting technical and regulatory requirements, anticipating the customers' wishes as best we can and offering them guidance and assistance in an increasingly complex product world.

We aspire to seeing the world through the eyes of our customers and offering them an excellent service experience at all times that suits their habits and individual needs. In addition to sales and service quality, the key factors when it comes to our customers' satisfaction are in particular value-for-money innovative products and tariffs, transparent product labelling and a strong brand. We consider dealing with customers fairly and with respect to be self-evident. As well as the personal contact channels, our customers have a large number of self-service offerings at their disposal,

meaning they are free to choose their preferred channel. We aim to further improve the online customer experience by further expanding our attractive and simple self-service offerings.

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 important for us. We also see it as our responsibility to protect people's health in relation to the use of mobile communications technology and to ensure there is responsible youth media protection.

The product and service experience was confirmed as a material sustainability topic in the course of this year's validation of the materiality analysis. The decisive factors were, on the one hand, the diverse impacts of our activities all along the value chain. The focus here is on facilitating broad and straightforward participation in digital life for our customers and promoting sustainable consumer behaviour on the basis of information, education and an appropriate product and service portfolio, from the purchasing of mobile phones through to recycling. On the other hand, a high level of customer satisfaction is one of the key success factors when it comes to our company's core business and is something we continuously seek to strengthen with our array of services.

Greater need for advice in the reporting year
The COVID-19 pandemic and the changed life situations of many customers resulted in an increased need for service and sales advice in the reporting year. For one thing, online sales increased enormously and a different combination of advice channels evolved due to shops being closed and the service hotlines therefore being

used more heavily. We also recorded an increase in demand for advice regarding fixed line network topics, as many customers were working from home. To be able to offer our customers optimum customer care during the crisis too, we contracted additional support from our outsourcing partners for this phase. In addition, shop staff helped out with the hotline service while the shops were closed during lockdown. Another impact of the ongoing pandemic was supply bottlenecks, which presented us with challenges regarding hardware and router procurement.

In addition to the COVID-19 pandemic, we faced the challenge in Germany of the floods which occurred in summer 2021. Via a separate O_2 hotline, we offered customers who were affected by the flood disaster support with questions and problems regarding products and ongoing orders. In this way, their concerns were prioritised and they received quick help. We also granted all the contract and prepaid customers living in the affected areas additional data volume at short notice immediately after the flood disaster.

We are also seeing an increase in demand for customer service advice following the entry into force of the new Telecommunications Act (TKG) on 1 December 2021 as this involves stricter information obligations before a contract is concluded as well as new contract summary requirements. We thoroughly prepared for this situation change in advance – some 240 employees from all the departments spent two years working on ensuring that we not only comply with the law, but also identify the best solutions, both for our customers and for the company. This involved our having to reorganise all the sales and service channels in the online area, at the shops and for the hotline as

GRI Management approach: Indirect
economic impact (103-2; 103-3); Marketing
and labelling (103-2; 103-3); Customer
health and safety (103-2; 103-3);
GRI 102-43; 203-1; 203-2; 416-1; 417-1

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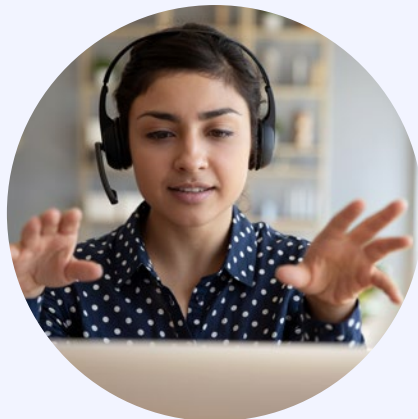
well as the underlying systems, and also giving the teams the appropriate training. We also contracted additional customer service support from our partners.

Responsibility for young media users
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. Many children already use mobile devices and have Internet access. Without the appropriate safeguards, pornographic content and depictions of violence are only a click away. The challenges regarding the protection of children and young people on the Internet include the fact that not all the services can be comprehensively monitored and the fact that the regulations do not keep pace with technical progress. The Telefónica Deutschland Group therefore sees its responsibility primarily as being to equip its products for children and young people with safety solutions such as the blocking of extra options, to teach parents about the protection options and to strengthen young people's media skills (see the "Digital skills" chapter for more information).

Complying with the key youth media protection requirements as dictated by the law in Germany is a top priority for us. In so doing, we also minimise the risk of penalties possibly being imposed on our company and strengthen our reputation as well as customer loyalty as prerequisites for our success. We are not aware of any instances of the legal requirements regarding youth media protection being violated in 2021.

Mobile communications and health
In the case of electromagnetic fields generated by mobile phone antennas and mobile communications base stations, there is no evidence of any effects which are harmful to people's health if the statutory limits are adhered to Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). There is a very large number of scientific studies on the impact of electromagnetic fields in the frequency range used for mobile communications. These are largely meaningful for the frequencies currently made available for 5G too – according to the studies, there is no confirmed evidence of health impacts caused by mobile communications within the applicable limits and when the requirements for mobile phones are met. The limits are stipulated in the regulation on electromagnetic fields (26th Ordinance Implementing the Federal Immission Control Act (26th BImSchV)). To continue to ensure the safety of the applicable limits, Germany's Federal Office for Radiation Protection (BfS) will separately examine the spread of the population's exposure and any biological and health impacts of the frequency bands which have been researched little up to now (26 gigahertz and higher).

The assessment that mobile communications were not harmful to health was also corroborated by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) in 2020. Following extensive research and dialogue processes, it issued updated guidelines that guarantee the protection of health in particular in relation to high-frequency electromagnetic fields, which also feature in the use of 5G, and we comply with these guidelines.

The MOBI-KIDS study, to which we contributed mobile communications usage data, looked at whether communication technologies represent a risk factor for the development of brain tumours among young people. The study conducted by Ludwig-Maximilians-Universität München (LMU Munich) is financed among others by the BfS and the European Commission. The study results were published in 2021. They substantiate the current state of research which suggests there is no reliable scientific evidence that the use of mobile communications devices increases the risk of children and young people developing brain tumours.

The Telefónica Deutschland Group can use mobile communications frequencies in the range of 700 MHz to 3,700 MHz for its 4G and 5G networks – frequencies that have been well researched for years. New frequency ranges around 26 GHz or 40 GHz are only to be used in the future and presumably on a small scale and are currently undergoing intensive research.

It is our declared goal on the one hand to communicate the diverse opportunities for society and consumers offered by 5G while on the other appropriately taking into account the fact that people have a great many questions regarding mobile communications and health. We therefore make extensive information available on this topic. However, this is a task that the companies cannot perform on their own as the topic also touches on issues of independence and objectivity. We therefore welcome the German government's creation of the Competence Centre for Electromagnetic Fields within the BfS and its launching of the "Germany talks about 5G" communication measure.

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GRI Management approach: Indirect
economic impact (103-2; 103-3); Marketing
and labelling (103-2; 103-3); Customer
health and safety (103-2; 103-3);
GRI 102-43; 203-1; 203-2; 417-1; 417-2;
417-3

UNGC-Principles 1

PROCESSES AND MANAGEMENT
Transparently gauging and increasing 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 CPWO has responsibility for business with partners, and the Chief Executive Officer (CEO) is in charge of the B2B division. Central management of customer satisfaction and detailed analysis of this based on customer surveys are firmly embedded in the company with the Consumer Experience department within the Customer Marketing directorate.

The Telefónica Deutschland Group pursues target-group-specific product and service strategies, for example for people with a migrant background, older or younger people, the self-employed, SMEs or major enterprises. This targeted customer segmentation is achieved among other things thanks to the Telefónica Deutschland Group's successful partner strategy. Partner brands such as ALDI TALK, Tchibo MOBIL and NettoKOM allow for targeted market entry in the discount segment and brands such as AY YILDIZ and Ortel do the same in the segment targeting ethnic groups. The business customer strategy focuses on the expansion of digital services relating to 5G, the Internet of Things (IoT), the cloud and security in order to generate added value for companies and assist them with their digitalisation by providing connectivity solutions.

The key performance indicators we use are the Net Promoter Score (NPS) as an important control parameter in the area of customer relations and parameter in the area of customer relations and

the churn rate of the O_2 brand (O_2 consumer postpaid customers). In general, we measure the NPS on two levels: the top-down NPS and the bottom-up NPS. The top-down NPS is determined several times a year with the help of an externally conducted telephone survey of the private clients of our company and the clients of our competitors. It follows cross-industry standards and thus enables a comparison with the competition. Market research is the responsibility of the Director of the Digital & Data Competence Center (DDC) within the Finance division. With the bottom-up NPS, we measure customer satisfaction at all contact points along the entire customer journey. From the direct feedback, we derive concrete measures to further enhance the customer experience and check whether the improvement measures introduced are effective and whether they meet customer requirements.

In 2021, we have seen a generally stable development in the NPS. This is also reflected in the churn rates, which remain historically low, with the implied annualised churn rate of the O_2 brand improving to 11.1 % compared with 13.1 % in 2020. The monthly churn rate in the postpaid area improved by 0.2 percentage points to 1.2 %. The churn rate for the O_2 brand (O_2 consumer postpaid customers) was even lower and improved by 0.2 percentage points year-on-year to 0.9 %.[1] This stands as a testament to our measures designed to boost customer satisfaction, our sustainable quality improvements with regard to products and services and the multi-award-winning customer experience in the O_2 network.

Ethically responsible communications and marketing
In the 2021 reporting year, we worked on the new guidelines for ethically responsible communication ↗ that go above and beyond the legal requirements.

As a company which is not only committed to simplifying communications, but also generates cultural, sports, advertising, entertainment, educational and other content, we are dedicated to offering responsible, ethical and high-quality communications. The guidelines entered into force in March 2022. It is part of our brand guardianship process, which means compliance with the defined guiding principles has to be checked before advertising measures, events or marketing campaigns can go ahead. The obligations include honest and respectful communications, political neutrality, gender-inclusive language and focus in particular on youth protection and sustainability. We realise the latter by, for example, transferring communication events to the digital arena or by eliminating printed communication materials wherever possible.

Voluntary self-regulation of media protection for young people
For more than 15 years, we have 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. The protection of children and young people online and the promotion of the responsible use of technology and offerings are additionally enshrined in our Human Rights Policy as clear obligations. We also take this into account in the design of tariffs for young mobile communications users and with regard to security solutions for protecting young people from digital risks and content which is harmful to

[1] From this reporting year, we will report the churn rate of the O_2 brand (O_2 consumer postpaid customers), which is more relevant to the material topic of customer satisfaction.

GRI Management approach: Indirect
economic impact (103-2; 103-3); Marketing
and labelling (103-2; 103-3); Customer
health and safety (103-2; 103-3);
GRI 102-43; 203-1; 203-2; 416-1; 417-1;
417-2; 417-3

UNGC-Principles 1

them. Via contractual provisions, the Telefónica Deutschland Group furthermore ensures that youth protection is integrated into the product and offering design of our business partners.

To further promote youth media protection, we are 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. We are also on the Advisory Board of klicksafe's German Safer Internet Centre and follow this initiative's media education work in Germany. The EU is supporting the Safer Internet Centres in 27 countries with the aim of promoting the media skills of children, parents and teachers, raising their awareness of the potential online risks and offering children and young people phone-based advice regarding online problems. The Telefónica Deutschland Group also combats cyberviolence in the form of hate speech and cyberbullying at various levels and with a variety of formats (see the "Digital access" chapter for more information).

Consumer information on health protection

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 our website ↗ to find out the precise SAR value of their mobile phone as well as generally find information on the subject of safeguarding health.

STRATEGIC PRIORITIES
Clear customer service guidelines

We have developed clear customer service guidelines in line with our strategy to give our employees guidance in their customer contact and service. We defined seven strategic principles for the form to be taken by our customer and sales services in the areas of Omnichannel (OC) and Customer Sales & Services (CSS). The focus here is always on the customers. The principles are defined more precisely with dialogue guidelines for customer contact, a quality handbook, the Internal Audit Score (IAS), quality assurance programmes and various training measures. The roles of the various contact channels were likewise reviewed, and targets and measures to boost customer satisfaction were derived. We intend to continue to ensure that the customers can reach us using their preferred channel in the future too.

Using 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. The complaints process is governed by a standard operating procedure.

Through the speech analysis, examining our customers' feedback very carefully and 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. The speech analysis is anonymised in order to comply with data privacy requirements.

We have set ourselves ambitious targets in the area of customer satisfaction: 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 special-interest magazines. We are also continuously improving and expanding our digital offerings and aim to provide the customers with uncomplicated

GRI 102-43; 203-1; 203-2

UNGC-Principles 1

customer service round the clock and independent of location. Our target is for 80 % of all instances of contact with O₂ and Blau to be digital in the self-service area by the end of 2022 (2021: 76 %; 2020: 73 %).[1]

Since 2021 we have been using the Medallia program in customer service. This allows customer feedback to be analysed even more quickly and opportunities for optimising the customer experience to be derived. Customer comments related to, for example, technical problems with the website or app, the choice of tariffs for existing customers and advisory services.

The measures implemented in the reporting year to further improve customer service and satisfaction included:

- Optimisations of the speech dialogue system for callers
- Introduction of an English service hotline
- Customers voicing negative feedback are called back by a specially trained team

The feedback from O₂ customers in the B2C customer barometer ⬈ of the special-interest magazine *connect* increased significantly again in comparison to 2020 – our overall rating improved

from 2.0 to 1.9. Our core brand has improved in three out of four individual assessments, most notably in terms of customer service (+10 points) and the network (+9 points). This puts us in third place with an overall score of 106 (first place: score of 117; second place: score of 116). We were also rated highly in 2021 by the users of our O₂ my Service app (more information on awards for our customer service in the "Awards" chapter).

For the customers of our ethnic brands Ortel and AY YILDIZ – primarily people with a migrant background or tourists – we continue to expand the digital access channels and are making simplified payment methods available which can be accessed at any time. We achieved our target of providing at least five new digital top-up methods in 2021. Since this year, Ortel and AY YILDIZ customers have also had the option of topping up their phones by means of instant transfer, credit card and PayPal. We also incorporated Ortel into the Alipay portfolio. Specialist retailers and the operators of partner shops within the mobile communications industry favour AY YILDIZ and Ortel Mobile when it comes to ethnic mobile operators. This was the conclusion of the readers of the specialist sales magazine *Telecom Handel* in the year under review (more information in the "Digital access" chapter).

We now offer our business customers a personalised service concept. They all have designated customer service contacts. They are then offered tailored service and therefore feel that they are in good hands. We are now also putting standardised Group-wide IT systems in place that will help further improve communication with our private and business customers as well as the customer experience.

Promoting digital and sustainable solutions

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 Mein O₂ service portal allows for swift and intuitive access to self-service solutions. 850,000 customers make use of this each month. Thanks to the ongoing analysis of customer feedback and content optimisations, more than 90 % of the customers were able to solve their issues directly online in the reporting year. Artificial intelligence (AI) and dynamic execution on the basis of keywords make information access easier and reduce the number of click steps. We added new features to our AI assistance function Aura, for example in the areas of bills and tariff advice. Additionally, new assistance videos were added, processes such as the registration of a death were digitalised and the viewing of content on a mobile device was optimised.

Customer loyalty: churn rate of the O₂ brand[1]

	Unit	2021	2020	2019
O₂ consumer postpaid	%	0.9	1.1	1.3

[1] From this reporting year, we will report the churn rate of the O₂ brand (O₂ consumer postpaid customers), which is more relevant to the material topic of customer satisfaction.

[1] The calculation basis for this performance indicator changed in 2021 due to data protection regulation. The volume of users without usage consent was therefore projected for the web (from January 2021) and the app (from July 2021).

GRI 102-43; 203-1; 203-2

UNGC-Principles 1

The O₂ Community is another important digital platform for O₂ customers. Within this dialogue channel, they can not only seek assistance from O₂ experts regarding their specific matters, but are also able to communicate with each other. For O₂, interaction with the users represents a major opportunity to better understand customer needs. There are now some 700,000 registered members and more than 4 million people visit the platform every month. For as many people as possible to be able to use the O₂ Community, it is incorporated into the www.o2online.de ↗ website as well as the Mein O₂ app. Based on the conversations conducted, we have seen how much of a help users having contact with others via the O₂ Community has been for them during the coronavirus-related restrictions.

What is more, O₂ provides information on products and services that helps customers consider the smartphones offered from a sustainability perspective, from the purchasing decision through to recycling. With our slogan "Let's Keep the Planet Blue" which we launched in 2021 we consolidated our environmentally friendly offerings, from the sustainable Fairphone and a mobile communications network run on green electricity to mobile phone recycling. We also launched our new mobile phone buyback programme in the year under review with which used devices can be sold to any O₂ shop for their current residual value – irrespective of where they were originally bought. With the industry-wide Eco Rating which was likewise newly introduced in 2021, replacing the former Eco Index, consumers can continue to determine the impact on the environment of the entire process of manufacturing, using and disposing of a smartphone (more information on our measures in the "Circular economy" chapter).

Strong offerings for private customers

Sustainable growth and excellent customer satisfaction are top priorities for the Telefónica Deutschland Group. To achieve these, we offer, among other things, innovative tariffs that are designed to make our customers' lives simpler, faster and better. In the Internet@Home area, we offer O₂ my Home as a tariff which applies equally to DSL, cable, fibre optics and the mobile-communications-based O₂ HomeSpot. Across all the sales channels, customers virtually automatically receive the appropriate Internet service for their home. Under the umbrella of Internet@Home, we ceased to tie our Internet tariffs to a specific technology in the year under review. As a result, our customers no longer need to give any thought to the optimum technology. The 4G/5G router makes telephony possible and offers customers a fixed line network number, making it a fully fledged fixed line network substitute solution. We are increasingly complementing our national cooperations with Deutsche Telekom, Vodafone and Tele Columbus with regional and urban networks. We can now offer our customers broad fixed line network coverage in Germany as a result.

We successfully implemented our One Care programme. Our customers now experience business service for O₂ Mobile and DSL from a single source. The offering of technical service from a single source too is still in the process of being implemented.

All customers with a higher-end tariff can use the 5G network at no extra charge. We 5G-enabled an array of additional O₂ tariffs in 2021. 5G is already available in selected locations and the network is gradually being expanded. With the Mein O₂ app, our customers can select the contractual conditions themselves and decide on prepayments, the contract term and data volume.

All the major providers of digital services now accept payment via mobile phone bill. Since mid-2021 we have also been offering payment via mobile phone bill in certain non-digital content scenarios such as bike sharing via nextbike. With these options too, security comes first for us. By participating in programmes such as the Clean Market Initiative, a joint quality offensive involving all mobile operators, the Telefónica Deutschland Group has made a commitment to meeting the highest possible consumer protection standards at all times.

Via what we call our SIM swap interface, providers of security solutions can determine when a SIM card has been activated or swapped and can therefore identify possible incidences of fraud. This service is used by, among others, banks, fintech enterprises, social networks and authorities to protect users from identity theft and financial losses.

Innovative solutions for business customers

In the B2B area, our business customers – a group comprising SMEs and major enterprises – can choose from a variety of tariff solutions that are secure, fair and reliable. We offer the self-employed and small businesses a complete product comprising high-data tariffs, top hardware, connectivity of a number of contracts and devices per contract, and comprehensive service.

In the year under review, we focused on the expansion of digital services for business customers in the areas of the IoT and cloud-based networks. For example, the two technologies narrowband IoT (NB-IoT) and long-term evolution for machines (LTE-M) were enabled in our network this year. These make a large number of IoT applications available to our customers that require a larger range, better building penetration, less energy consumption and operating costs which are as

GRI Management approach: Customer
health and safety (103-2; 103-3); Marketing
and labelling (103-2; 103-3);
GRI 417-1

UNGC-Principles 1

low as possible. Be it for metering applications (water, gas or electricity), sensor technology for waste management or building automation, these technologies are primarily used wherever radio modules are needed to transmit small data volumes regularly and over an extended period, often without an external power source. NB-IoT and LTE-M are based on 4G technology and will be part of the 5G standard in the future.

Also new in 2021, O$_2$ Business developed a digital connectivity solution for SMEs that enables them to easily interconnect their sites and make their existing infrastructures secure for the digital age. The product O$_2$ Business Smart Network is based on software-defined wide area network (SD-WAN) technology. Here, network management is handled by specialised software that, for example, brings the physical network connections used in a company network together within a single cloud-based network. By consolidating all the communication technologies within a single network, a company's IT is made more efficient and more stable while remaining flexible.

To strengthen our business customer line of business, we established a partnership in 2021 with the Telefónica Tech Group, which specialises in digital products and services. The technology provider is a member of the international Telefónica Group and will henceforth serve as the preferred partner for digital services and related wholesale products. Its portfolio includes services in the areas of cybersecurity, the cloud, the IoT, big data and blockchains.

The O$_2$ mobile phone buyback programme allows business customers to erase their smartphones in accordance with data protection requirements and have them disposed of in an eco-friendly way (for more information, see the "Circular economy" chapter).

Tariffs and safety solutions for youth media protection

Having one's own mobile phone usually becomes important to children between the ages of eight and ten. As their independence grows, mobile availability becomes more and more of an issue, for example when they go on a school trip or in emergencies. It is important that a child's mobile phone tariff is age-appropriate. With our product portfolio and information services, we help parents to select child-friendly mobile phone usage and content.

For close and secure communication between parents and children, we have been offering O$_2$ Free Starter Flex as a suitable entry-level tariff since July 2020. Not only does this provide mobile availability, it also gives parents peace of mind and cost control. For example, fee-based data packages and extra options are blocked from the outset. As a new basic tariff, O$_2$ Free Starter Flex is perfectly tailored to children's usage behaviour. In addition to a flat rate for calls to all German mobile communications networks as well as to the fixed line network, it includes 1 GB of mobile data and EU roaming. This means children are able to contact their parents or important contacts at any time.

Independently of the services relating to O$_2$ Free Starter Flex, parents can activate an age rating of "from 16" or "from 18" at any time by calling the O$_2$ customer service or online, thereby increasing the level of protection for their offspring. The O$_2$ age restriction developed specifically for the purposes of youth protection is activated as standard. We also implement age verification systems within our partner offerings.

With our mobile safety solution O$_2$ Protect, we offer our customers and their children additional 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$_2$ Protect Mobile. The all-round protection package O$_2$ Protect Complete guarantees online protection for up to five devices. We will expand our O$_2$ Protect portfolio in early 2022 and will also offer the parental control function in the family version.

In addition, O$_2$ provides tips and information on child safety online on a special website ⏏. This includes the option of automatically blocking offerings which are harmful to children and young people such as data upgrades, data roaming and extra options. We provide parents with detailed instructions regarding third-party provider services, call options and premium phone numbers and bring their attention to any risks that still exist.

Parents and children can find additional useful information in our two mobile phone and Internet guides for kids. We published these together with the German Children's Fund, the FSM and the association fragFINN to offer families even more safety in the area of surfing and the Internet. The guides are available in German and Turkish.

Network quality and coverage

Commitment

We will offer our customers a modern network infrastructure and afford them network access from anywhere and at any time.

Our achievements

We invested first and foremost in network expansion in 2021 in order to further optimise our customers' user experience. This resulted in improved coverage of rural areas and cities with 4G and 5G. We were providing around 30% of the population with 5G at the end of 2021. All of our 3G sites were taken offline. As one of the first mobile communications network operator in Germany to incorporate open radio access network (open RAN) into our mobile communications network, enabling the first customers to make use of it already.

> 99%
of the population enjoy LTE coverage

More than 2 billion
gigabytes of mobile data transported via the O₂ network

Focus SDGs
We are playing our part in developing a robust infrastructure with the aim of promoting inclusive and sustainable connectivity. To give our customers throughout Germany the opportunity to participate in the digital transformation, we are promoting partnerships for the expansion of Internet usage and broadband access.

UN Global Compact
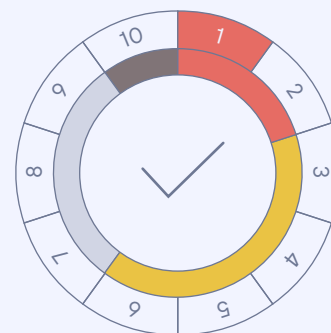
- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Inclusion

We are making the new 5G mobile communications standard and 4G available to the mass market and are playing a part in affording everyone access to high-tech digital communications with attractive tariffs and large data packages.

Corporate Digital Responsibility Initiative

Network quality and coverage

BASIC PRINCIPLE AND CHALLENGES
Enabling access to digital technologies

The Telefónica Deutschland Group manages more than 45.7 million connections in the area of mobile communications alone, connecting many people in Germany. We want to guarantee access to digital technologies ideally everywhere and at any time and therefore have a particular social responsibility – we want to reduce the digital gap where people have no access for technical, social, economic or other reasons in order that ideally everyone can enjoy the advantages of digitalisation. We are making the new 5G mobile communications standard available to the mass market and are playing a part in affording everyone access to high-tech digital communications with attractive 5G tariffs and large data packages.

Fast expansion of the 5G network will help us offer our customers the greenest mobile communications network in Germany by 2025. 5G transmission is significantly more energy-efficient than the preceding standards,[1] meaning we will be able to reduce electricity consumption per transmitted byte by up to 90 %, even though the data volume will increase sharply.

We are developing a network which will serve companies and users as the basis for realising digital business models and applications such as making their production and logistics workflows more flexible. In particular in the case of applications in the area of Industry 4.0, 5G technology can result in faster logistics thanks to real-time data transmission – thereby reducing production process energy consumption. Our 5G network will help companies in many industries reduce their carbon emissions and develop sustainable business models.

Network quality and coverage were confirmed as a material sustainability topic in the course of this year's validation of the materiality analysis. Our network's quality and coverage have a direct influence on customer satisfaction and are therefore one of the key success factors in our company's core business area.

Providing information about mobile communications and network expansion
Protecting the health of our customers, people living near our operations and our technicians is a top priority. This includes ensuring our mobile network base stations comply with the limits, which are checked by the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur). In addition, we make certain the mobile phones that we sell comply with electromagnetic limits. Information and advice on this subject 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, towns and municipalities on the topic of mobile communications since 2002.

The implementation of extensive mobile communications provision as required by the policymakers and in particular the frequency requirements regarding expansion in rural areas call for numerous new mobile network sites to be created by 2024 at the latest. In addition, establishment of the 5G standard in several areas is resulting in the construction of new sites, some of which with higher frequencies and a lower range. There is therefore a disproportionately high increase in the construction of new sites in comparison to recent years. These developments have triggered concerns articulated among the public and in the media about health risks caused by radio waves. We take the need for information which this is an expression of very seriously and continue to work on providing the population with information in the best way possible.

The need for advice in rural municipalities is growing because new sites are increasingly being incorporated in the course of our network expansion and many of these rural municipalities have no previous experience of mobile network systems and the related participation and approval procedures. A political trade-off is also presenting us with challenges here. On the one hand, we are required to incorporate new sites which are as widely accepted by the public as possible. On the other, the licensing requirements of the policymakers mean there are strict time frames for network expansion.

[1] Source: "Energie- und Ressourceneffizienz digitaler Infrastrukturen. Ergebnisse des Forschungsprojektes „Green Cloud-Computing"" (Energy and resource efficiency of digital infrastructures. Results of the Green Cloud-Computing research project) study commissioned by the German Environment Agency (UBA), September 2020

GRI Management approach: Indirect
economic impacts (103-2; 103-3);
Customer health and safety (103-2; 103-3);
GRI 102-43; 203-1; 203-2; 416-1

UNGC-Principles 1

Challenges due to the pandemic and the flood disaster

The pandemic helped to further accelerate digitalisation in all areas in the year under review, resulting in greater data traffic and therefore entailing increasing network stability requirements. Our systems and processes ensure that we are warned of capacity issues and other network malfunctions early on, thus allowing the stability of our network to be improved.

The flood disaster in western Germany in summer 2021 resulted in outages and energy supply disruptions. A number of mobile network sites were also affected, but no major damage was experienced by the mobile network systems; these tend to be located on higher ground. Many of our company's engineers and network service providers were involved in special efforts to reinstate mobile communications in order to swiftly enable those affected to communicate with the outside world once again.

PROCESSES AND MANAGEMENT
Identifying and remedying network faults quickly

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.

Network quality and coverage are the responsibility of the Chief Technology & Information Officer (CTIO). A specialised network 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. Since 2017 we have been using a measurement tool to analyse and gauge the quality of the network. The tool generates comprehensive figures. This enables us to recognise service restrictions or increased capacity demand at a mobile network site sooner and react correspondingly.

Investing in network expansion

Our "Investitionen für Wachstum" (Investments for growth) programme is crucial to the expansion of our mobile communications network. Here, we are focusing on three pillars of growth that build on the network quality equality already achieved:

- Increase in the share of the mobile communications market in rural areas while consolidating our strong position in towns and cities
- Intelligent pooling of fixed line network and mobile communications products as well as fixed line network substitute products (FMS) on the basis of a technology-agnostic approach
- Making the most of opportunities in the B2B market, in particular in the segment of small and medium-sized enterprises (SMEs)

To make our customers' user experience better and better, we will invest in particular in network expansion in the course of our three-year investment programme. The programme saw its investment focus in 2021 and has the aim of improving the supply of 4G in particular to rural areas and 5G preferably to towns and cities.

Strict adherence to statutory requirements and limits

We strictly monitor adherence to 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 with the limits, we implemented a procedural instruction and have our own teams that continuously perform internal audits at the mobile network sites serviced by our technicians and service providers. Monitoring these is the responsibility of an internal department in the area of radio networks. As part of their supervisory and control function, our occupational safety specialists monitor compliance with the existing rules and legal requirements, thereby contributing to the protection of the employees and the preservation of their health.

STRATEGIC PRIORITIES
Tapping new potential with 5G

We succeeded in significantly expanding our 5G network coverage in 2021 – expansion of the new mobile communications technology is focused on "pure 5G", which is transmitted via the most powerful 3.6 GHz frequency. More than 4,000 3.6 GHz antennas had been put into operation by the end of 2021. We are now putting more than 100 of these 5G antennas online every week. We are also using, among other things, dynamic spectrum sharing (DSS) antenna technology to develop rural areas more quickly; this enables 5G and LTE frequencies to be used in tandem

and 5G to be used on the 700 MHz frequency, which has wide coverage. Our customers benefit from significantly higher data rates and reduced data usage time lags. We just achieved our 2021 target of providing at least 30 % of the German population with 5G; we did this with a combination of the three frequency bands pure 5G (3.6 GHz), 5G DSS (1,800 MHz) and 700 MHz. The Telefónica Deutschland Group is therefore on track to supply half the population with 5G by the end of 2022 and the whole of Germany with 5G by the end of 2025.

The 5G network achieved the fastest average download speed in Germany in the Opensignal[1] test performed in the second quarter. According to the test, our O_2 customers enjoyed an average speed of 131.4 Mbit/s, meaning they could surf considerably more quickly (around 20 % faster) than the customers in the 5G networks of our competitors Deutsche Telekom and Vodafone.

The Telefónica Deutschland Group now operates its own 5G backbone. As a result, it has created the foundations for releasing the new network standard from its technical dependency on 4G and establishing it separately as "stand-alone 5G". In the future, the pure 5G network will also make the most sophisticated applications possible both for private and business customers, such as connected driving. From a technical point of view, the company is already in a position to roll out a nation-wide stand-alone 5G network. We will offer our customers access to this technology as soon as stand-alone 5G offers them real added value such as applications in real time or separately secured networks and there are enough devices around that support the technology. Immediately after the launch of the 5G network last year, we began to transfer our 5G backbone to the cloud, initially for industrial applications. This makes setting up 5G campus networks considerably easier, accelerates the roll-out of new industrial applications and reduces the time to the market launch of new products and applications.

In the year under review, the CEO of the Telefónica Deutschland Group Markus Haas discussed with various experts the significance of 5G for mobility in Germany, including based on technologies such as connected driving and real-time traffic management. His dialogue partners included the President of the German Association of the Automotive Industry (VDA) Hildegard Müller (for more on our dialogue events, see the "Transparency and dialogue" chapter).

Trailblazer in technological innovations
5G makes very high demands on the mobile communications transport network that takes the users' mobile communications signals from the transmitter stations within the access network locally to the backbone. Previously, only fibre optics could provide the transport network speed that the customers need to enjoy all the benefits of 5G. At the same time, we are additionally connecting our 5G mobile network stations via high-capacity directional radio systems in locations where no fibre-optic infrastructure will be available in the foreseeable future. Due to a shift in the physical limitations of directional radio systems, their high degree of flexibility and the cost and time savings, the directional radio solution is helping us to achieve our goal of fast 5G network expansion.

Together with our technology partners, we created the first multi-manufacturer interface for software-defined networking (SDN) in our mobile communications network at the end of 2021. It is compatible with various directional radio systems, enabling us to make changes to our directional radio connections across all the manufacturers uniformly and essentially in real time. All the applications for network management and further automation therefore have a multi-manufacturer design. SDN and other software-based approaches assist us in reducing the complexity of our network architectures and in advancing our network expansion even more quickly and with greater quality thanks to a higher degree of automation.

We were the first mobile communications network operator in Germany to incorporate open radio access network (open RAN) into our mobile communications network, enabling the first O_2 customers to make use of it already. In contrast to the developments until now of leading mobile communications technology manufacturers, open RAN has a modular set-up featuring the hardware and software of various producers. The technical components are easily interchangeable thanks to the open interfaces. This means less fixed infrastructure will need replacing during future modernisations, with a software update being largely sufficient.

5G coverage

	Unit	2021
Coverage of the total German population with 5G[1]	Rounded in %	30

[1] The selected population-based evaluation does not only include the household-based coverage calculation with fixed location reference as reported to the Bundesnetzagentur. It also includes commuter flows of the population, so that part of the population is counted both at their place of residence and at their place of work (maximum population). In this way, the Telefónica Deutschland Group takes into account that services are not only demanded stationary at the place of residence, but also on the move.

[1] Opensignal Awards – Germany: 5G Experience Report, August 2021: https://www.opensignal.com/de/reports/2021/08/germany/mobile-network-experience-5g

The Telefónica Deutschland Group is also involved in the Open RAN Lab project. This is a platform promoted by the German Federal Ministry for Digital and Transport (BMDV) which is open to all interested market players. Here, network operators, network suppliers, start-ups, scientists, research institutes and SMEs can come together to promote the further development of open RAN, in particular for the needs of the European market. In the medium to long term, this opening should lead to greater competition and provider diversity in the telecommunications market and accelerate the roll-out of new services.

In a comprehensive transformation process, we are making our company's network and IT systems more flexible and will transfer systems from the data centres to the cloud up to 2025. We have drawn up a detailed strategy for this which takes into account all the security aspects and technological advantages of cloud structures for our business. In training sessions, our developers acquire additional skills for the creation of new architectures or the development and operation of new applications (more on the topic of professional development in the "Future employability" chapter).

Switch-off of 3G, further expansion of 4G
At the same time as expanding 5G, we are systematically improving our 4G/LTE network. In 2021, the 3G network was switched off and the 3G system technology at the sites was removed from the network. However, the sites will continue to be used for 2G and 4G/5G. We use the frequencies this freed up for 4G, making our network even more powerful and offering our customers higher data rates, more capacity and improved voice quality.

A 4G network that continues to grow is important because over 99 % of all mobile data flows via this network infrastructure and 4G will remain the backbone of our mobile communications network in the years to come. Our expansion programme

focuses not only on towns and cities, but also and above all on regions of Germany which have previously been undersupplied. In regions with insufficient capacity, we are replacing old sites with new platform sites with far greater capacity. We expanded more than 9,000 sites in this way in 2021 to offer faster Internet, especially in rural regions.

We now supply more than 99 % of households with 4G/LTE. As a result, the Telefónica Deutschland Group complies with the nationwide requirement stipulated by the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur) of 98 % household coverage with a download speed of 50 Mbit/s. We are also focusing on expanding 4G/LTE along important transport infrastructures such as motorways, federal highways and railway lines. The Telefónica Deutschland Group is gradually closing the remaining coverage gaps, ideally to enable customers to benefit from a fast 4G/LTE network everywhere. To this end, we founded initiatives with Deutsche Telekom and Vodafone in early 2021 to improve the coverage of grey spots. We will jointly use network technology at several hundred carefully selected antenna sites in order to improve coverage in areas in which not all the providers can offer their customers mobile network access via 4G. In contrast to previous cooperations such as site sharing and the operators' agreement on the closure of black spots, with this approach, there is no need for a second set of separate wireless technology or additional antennas to be installed.

Our fast expansion of our 4G and 5G networks is noticeable due to significantly improved network quality and therefore also a sharp increase in our customers' data usage. This is primarily due to the increasing popularity of music and video streaming and the sharing of photos and videos via social media and messaging apps such as WhatsApp. At the end of 2021 our network had transported 2 billion gigabytes of data – a peak figure among

Germany's mobile communications networks. Data usage within our network has therefore doubled in just two years.

As part of our major O$_2$ network campaign, consumers have been able to put our network quality to the test free of charge for a month since summer 2021. This test option is aimed in particular at people in rural areas where our network quality has significantly improved and is now on a par with that of the competition. Due to the success of the campaign – we succeeded in gaining many new customers – we have extended the option of testing our network for a month with no obligations until summer 2022. We see the new Telecommunications Act (TKG) as an opportunity here as it enables potential customers to switch to us even more easily.

Partnerships for an efficient network

We offer our customers broad fixed line network coverage in Germany based on future-proof broadband cooperation models. Through successful partnerships, we offer them a broad infrastructure mix of cable, fibre optics, 4G/5G and DSL. We are working with a number of alternative telecommunications service providers and other network operators, focusing here on regional partnerships. The high-performance cable infrastructure of Vodafone and Tele Columbus has enabled us to reach households throughout Germany with broadband cable since 2021. Our cooperation with Deutsche Telekom enables us to sell VDSL products from the Deutsche Telekom network to our customers, with fibre optics being a possibility in the future too.

Since spring 2021 we have also been offering O$_2$ my Home products via fibre optics provided for our O$_2$ brand by the company Unsere Grüne Glasfaser (UGG). As a key account, we are marketing our broadband products via this infrastructure. UGG is a joint venture between the Telefónica, S.A. Group

GRI 102-43; 203-1; 203-2; 416-1

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and Allianz. The Telefónica Deutschland Group holds a 10 % stake in the company. Over the next five years, UGG intends to provide 2.2 million households in predominantly rural and previously undersupplied regions with fibre optics, investing up to EUR 5 billion in expansion in the process.

As part of wholesale agreements, we also make our mobile communications network available to other telecommunications providers such as mobilcom-debitel and the 1&1 group. For example, as planned, the Telefónica Deutschland Group established a new contractual basis for the future configuration of its existing partnership with the 1&1 group in the form of a national roaming agreement in spring 2021.

Close dialogue with local authorities and policymakers

The local authorities are above all important partners when we set up or expand our telecommunications infrastructure. For example, we coordinate network expansion closely with the towns, cities and municipalities in which we intend to install technical facilities. As a result, we are meeting the requirements of the voluntary commitment

we made to the German government, the Federal Immission Control Act (BImSchG) and an agreement with the local authority associations to which the four German mobile communications companies have signed up. This agreement was brought into line with the current requirements in 2020 with the aim of guaranteeing the involvement of the local authorities in the creation of 5G networks and expansion of the network infrastructure too while also facilitating infrastructure expansion which is as swift and as conflict-free as possible. New additions included the detailed rules regarding the expansion and joint use of the existing mobile network sites, dealing with site alternatives and recommendations regarding the use of municipal properties. The agreements reached between the mobile network operators, the German government and the local authority associations also offer the local authorities a broad array of effective dialogue and participation measures.

We contributed our expertise to various information events held locally in 2021. For example, we attended four symposia for local authority decision makers regarding mobile network expansion, which were organised in 2020/2021 by the Baden-Württemberg Ministry of Economic Affairs, Labour and Housing.

Together with the mobile operators Deutsche Telekom, Vodafone and 1&1 Drillisch, we run the information portal www.informationszentrum-mobilfunk.de ⬈. This information offering focuses on setting up and expanding mobile communications networks based on societal consensus as well as consumer issues and health protection. In the year under review, Informationszentrum Mobilfunk and the newspaper *Bayerische GemeindeZeitung* organised three online events for local authority decision makers in Bavaria, enabling them to find out about mobile network expansion and 5G. A significant proportion of the information provided related to the local authority approval of mobile network sites and their role in the whole process of realising a new mobile network site.

We also continued our activities in the area of running the www.informationszentrum-mobilfunk.de ⬈ website in 2021. In the year under review, Informationszentrum Mobilfunk and the Society of Hygiene, Environmental and Public Health Sciences jointly developed an information module about mobile communications and health for local authorities. The aim is for the topic to be handled in an objective and science-based way at the local level.

Stages of creating a mobile communications base station[1]

Radio network planning	Testing the connection	Site search	Approval process	Site certification	Provision	Installation of base station	Network integration

| Local authority approval | Site acquisition, e.g. via infrastructure companies | | Construction completed at site | | Site ready to be integrated into existing network | | Site provides service to customers |

[1] Source: www.informationszentrum-mobilfunk.de/mediathek/grafiken/schritte-beim-aufbau-einer-mobilfunk-basisstation

Digital sustainability innovations

Commitment

We will play a part in solving
societal challenges and
align digital innovations with
ethical principles.

Our achievements

Our IoT solutions further expedited the energy transition in 2021. Our customers include
mobility and logistics companies, energy utilities and green start-ups. We are providing the
digital infrastructure for successfully networking intelligent measurement systems thanks to
the systematic roll-out of smart meter gateways. With the mobility insights line of business,
we support research projects which seek to tap the innovation potential that data analysis
offers to all areas of life and for the benefit of society.

2,190
vehicles were fitted with Geotab

28 new start-ups
promoted by Wayra in the areas of artificial
intelligence, fintech, the IoT, data analytics
and sustainability

Focus SDGs

We wish to promote sustainable economic growth
in order to protect people and the environment. We
are promoting the sustainable and safe development
of, for example, towns/cities and traffic flows with
inclusive and sustainable innovations, thereby
playing a part in optimising energy consumption
and lowering emissions.

UN Global Compact

- 🔴 Human rights
- 🟡 Labour
- ⬜ Environment
- ⬛ Anti-corruption

CDR Initiative

CDR field of action:
Climate and resource protection

We are advancing digital development with
sustainable innovations and are promoting
sustainable and climate-friendly applications in
the areas of artificial intelligence, the IoT, data
analytics and sustainability.

**Corporate Digital
Responsibility
Initiative**

Digital sustainability innovations

BASIC PRINCIPLE AND CHALLENGES
Digital solutions for people and society

As one of the largest telecommunications pro-viders in Germany, the Telefónica Deutschland Group sees itself as a pioneer in shaping the digital transformation responsibly. We ensure that everyone can participate in digitalisation in order to make day-to-day life more sustainable and better for all. Our declared goal is to sustainably advance digital development. We therefore give considera-tion to the impacts that our business model has on the environment and society, always with the focus firmly on people.

We want to contribute to making people's lives simpler, safer, healthier and more environmentally friendly with digital products and services. During the COVID-19 pandemic in particular, the huge benefits of and the need for digitalisation in overcoming current societal challenges became evident, be it to prevent social isolation, for trans-formation of the working world, making economic value-added processes more flexible, in relation to transport infrastructure or regarding protecting the population's health.

A key factor here is sustainable innovations, which we expedite in a targeted manner in collaboration with the public sector and digital companies. We also develop and test new ideas for products and services and systematically further develop exist-ing services in our own innovation teams. We focus here on analysing anonymised data, networking devices, and innovative products for the customer with the focus on mastering day-to-day require-ments with digital solutions and making them safer. We additionally reduce barriers and facilitate inclusion with digital services such as video chat and the virtual assistance function Aura.

Our products unite the triad of "Networking. Ana-lysing. Optimising." and are therefore an important aspect of our ability to compete. With the new mobile communications standard 5G, we can fur-ther multiply the positive effect where data transfer is concerned through real-time applications and capacity increases, in so doing also advancing the energy transition. Autonomous driving and leaner production processes are just two examples of increases in efficiency which are made possible thanks to 5G. This also allows us to effectively con-front one of the greatest challenges of our times, namely climate change.

Our start-up accelerator Wayra brings Telefónica and technological disruptors around the world together. Wayra is the Telefónica Deutschland Group's innovation laboratory, focusing on areas such as artificial intelligence, data analytics and customer service. 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 funding.

To proactively further advance digitalisation in Germany, we launched a EUR 4 billion investment offensive running up to 2022 in order to specifically expand our O$_2$ network in towns and cities, in rural areas and along traffic routes. We want to close the last coverage gaps and achieve nationwide cover-age with 5G by 2025. By continually improving the O$_2$ network, we will aim to make our vision of a fully connected, liveable and "green" society a reality.

PROCESSES AND MANAGEMENT
Achieving clear targets while complying with strict data protection requirements

We have set ourselves important strategic tar-gets in the area of sustainable innovations and products. We thus 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 Internet of Things (IoT) segment together with the business customer area lies with the B2B directorate, which reports directly to the Chief Executive Officer (CEO). The mobility insights line of business 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 analytics. Complying with the strict data protection requirements for all of our products and technologies is a top priority in our approach.

We act on the basis of rigid ethical principles when using artificial intelligence, and these are enshrined in our own guidelines ⬈ as well as in the Telefónica, S.A. Group's Digital Manifesto ⬈ for social responsibility.

Comprehensively tapping 5G's innovation potential

The Telefónica Deutschland Group is using additional infrastructure investments to pursue the goal of advancing network expansion and perceptibly enhancing the online customer experience. In the 2021 reporting year, the investment programme centred on stepping up network expansion into rural areas with 4G in particular and the accelerated expansion of 5G capacities in towns and cities. In 2022 we will continue to expand the network and make 5G available in ever more towns and cities and above all in rural regions (more information on network expansion in the "Network quality and coverage" chapter).

With fixed wireless access (FWA), a 5G-based broadband technology, we will henceforth be able to offer private households and smaller enterprises an interesting alternative to DSL and other fixed line network infrastructures. Signals are received via the mobile communications network, making a fibre-optic, cable or DSL/VDSL connection unnecessary. This option lends itself well to, for example, rural regions with digital infrastructures which are still inadequate and causes lower infrastructure costs than fibre-optic expansion. Based on availability, customers will then be able to use 5G with more than one gigabit per second to stream films in 8K UHD, surf the Internet and make use of their usual day–to-day applications in top quality. Furthermore, in addition to the standard data services, 5G allows applications such as virtual reality (VR) and augmented reality (AR) to unleash their full potential in private and commercial use.
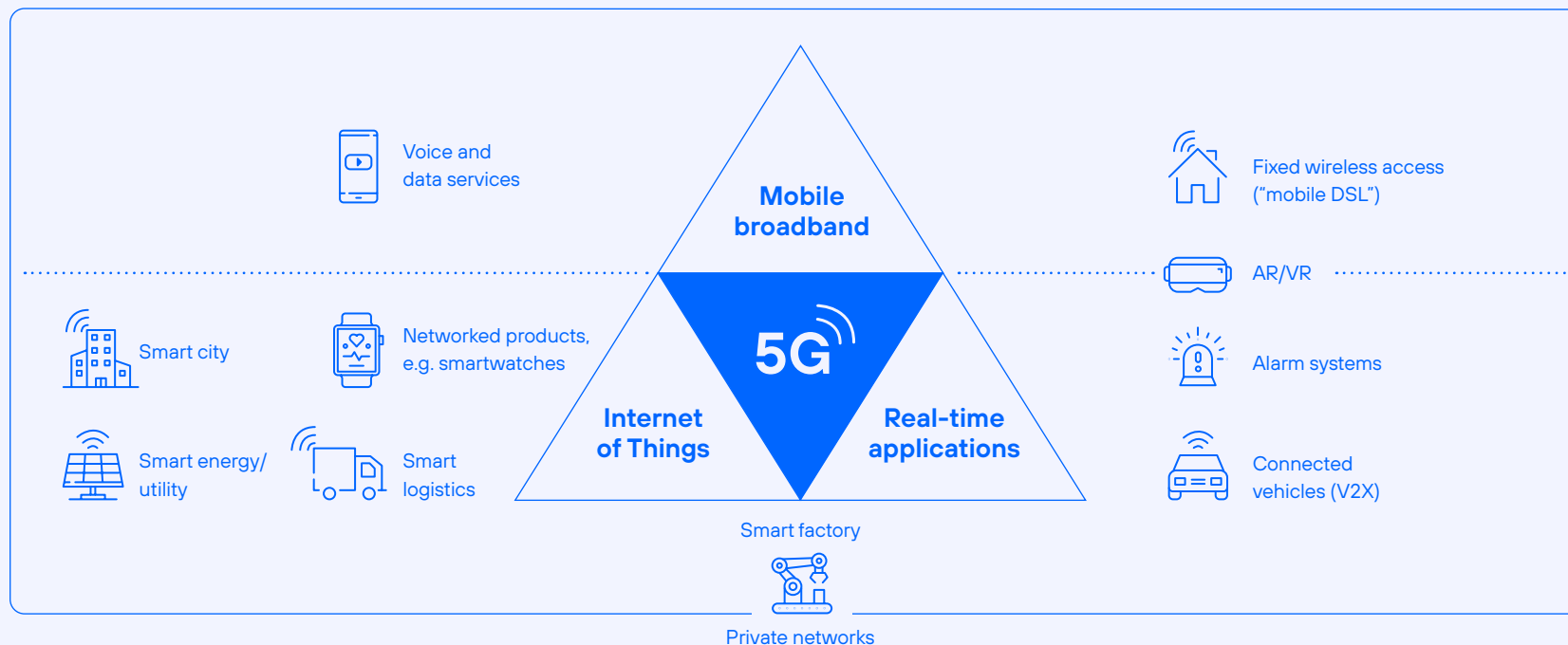
GRI Management approach: Indirect
economic impacts (103-2; 103-3);
GRI 203-1; 203-2; 413-2

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The Telefónica Deutschland Group successfully made a voice call purely over its 5G live network in September 2021. Voice telephony in the 5G network is only possible in the first place thanks to the technological innovation voice over new radio (VoNR). Until now, all voice connections in German mobile communications networks have been made using predecessor technologies. Voice calls made with VoNR remain in the 5G network, which reduces the amount of transmission needed and spares our customers' smartphone batteries.

The added value offered by 5G to society as a whole thanks to the close networking of transport, towns, cities, the world of work and everyday life will far exceed its individual use. 5G makes it possible for applications to now be realised in real time and for millions of devices to be connected with one another, which helps for example to increase road traffic safety or make household energy supply more efficient.

Real-time applications for improved traffic systems

The Telefónica Deutschland Group demonstrated the possibilities for the future of mobility offered by 5G technology at the O₂ 5G Race Days during IAA Mobility in September 2021. Anyone who was interested could use the public O₂ 5G network to steer racing cars round a racetrack in real time – from anywhere in the world that has 5G. The 5G network's fast response times literally made the difference here between victory and defeat.

With charging times of less than a millisecond, applications can also be realised in "real" road traffic, for example in the area of connected driving. Vehicle-to-everything (V2X) communication technology allows for communication with other vehicles, lorries, cyclists and pedestrians as well as with traffic lights, road signs and roadblocks.

If obstacles suddenly present themselves, the car not only warns the occupants, but also takes its own initial steps in real time, increasing the level of traffic safety. According to the US federal government's National Highway Traffic Safety Administration (NHTSA), approximately 600,000 road traffic accidents a year can be avoided with V2X technologies. Additionally, smart vehicle coordination staggers traffic and can make an important contribution to protecting the environment as it allows fuel consumption and driving behaviour to be analysed and regulated even more precisely.

In October 2021 we presented a mobile edge computing networking solution for the first time at the ITS World Congress in Hamburg. This makes digital mobility applications possible in the 5G network via real-time communication. In this test involving our network and that of Deutsche Telekom, the automotive supplier Continental was able to implement its collision warning service for road users and run it with stable and fixed latency at all times.

The IoT: quantum leap in device networking

5G is significantly expanding the scope of intelligent networking via the Internet of Things once again. This is what is known as "massive IoT", in other words the networking of millions of devices. This makes devices such as smartwatches and fitness trackers even more intelligent and more application-oriented, for use in, for example, the health care sector or competitive sport. Users can also save large data volumes and applications in the cloud from their smartwatch more quickly and control various devices in their smart home while they are out. 5G offers major potential and additional areas of application for other smart devices too, such as smart clothes or even 5G-enabled implants.

The Telefónica Deutschland Group once again saw high demand from SMEs in the area of the IoT in 2021. We offer our customers the two network standards narrowband (NB) IoT and LTE-M for automatic data transmission between objects and machines. These LTE subtechnologies, which operate on the same frequency, boast especially good building penetration. Consequently, smart meter gateways located in, for example, cellars can also be reached and can be run in an especially energy-saving way in sleep mode. We see expanding NB-IoT and LTE-M connectivity as putting us on the right path for creating digital added value for our customers. We are thus already supporting a large number of companies in a vast array of sectors with the digitalisation of their business solutions in the IoT area.

The impressive range includes mobility and logistics companies, wearables manufacturers, producers of robots, energy utilities and energy transition start-ups. For example, Lanthan Safe Sky GmbH is putting its faith in a Telefónica Deutschland Group IoT solution for modification of the night-time signal lighting of up to 10,000 wind turbines. From 2023 this night identification may only be illuminated when an aeroplane or helicopter gets closer than four kilometres. With our IoT solution, we are reducing signal lighting on wind turbines by 98 %. In this way, we are not only contributing to minimising the negative impacts of permanent illumination on animals, but are also boosting the acceptance of this sustainable form of energy generation in particular among the local residents.

In the logistics sector, connectivity makes the transporting and exchange of commodities and capital goods quicker and smarter and also prevents product piracy. Load carriers and their contents are monitored via mobile communications. Commodities and goods can therefore be tracked without interruption and supply chains can be digitally documented.

IoT connectivity now affordable for the wider market

We expanded our portfolio of IoT tariffs in the year under review, thereby making IoT connectivity affordable for the wider market – the existing IoT Connect tariff is now complemented by the new O_2 Business Easy IoT prepaid tariff. This offers companies an easily administered tariff in particular for IoT applications with low data transmission requirements and very long service lives. We developed the product O_2 Business Smart Network as a new digital connectivity solution for SMEs, enabling companies to easily interconnect their company sites and make their existing infrastructures secure for the digital age.

With IoT Connect, we have the right tariffs for data transmission and for intelligent interconnectivity and its management: there is IoT Connect Deutschland, which is predominantly for use in Germany, and there is IoT Connect Europa for usage that includes the neighbouring European countries. With the Vivo-O_2-Movistar global SIM card, we guarantee optimum 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.

Smart factory: a revolution in industrial manufacturing

With its top reliability and extremely short response times, 5G will be an important support for highly sensitive, automated production processes such as robotics and will serve industry as a tremendous efficiency lever. 5G makes an entirely digital factory and fully connected (intra-)logistics processes possible. We help companies turn their production facilities into smart factories and advance their digitalisation. We likewise apply the experience we have in planning and installing mobile communications networks to setting up 5G campus networks too, for example in the automotive industry.

Since 2020 Mercedes-Benz Cars has been operating one of the world's most state-of-the-art automobile manufacturing plants – its Factory 56 is a fully digital, flexible and sustainable production factory. A centrepiece of the new, fully connected production plant in Sindelfingen is the 5G campus network that the Telefónica Deutschland Group installed together with the network equipment provider Ericsson. The fifth mobile communications generation connects machinery and systems with each other intelligently, securely, wirelessly and in real time.

We are one of the first network operators in Germany to be taking another innovative step by offering our industrial customers a cloud-based 5G backbone too in the future, making the installation of local servers superfluous and thereby further significantly simplifying the creation of campus networks. With a cloud-based 5G backbone, new industrial solutions can be developed more quickly, production and logistics processes can be automated to a greater extent and applications can be effected in real time.

Smart energy: from smart metering to smart mobility

5G supports smart solutions in the energy industry's value chain as well as the conscious management of energy consumption. The energy generated is distributed to the users via smart grids, while smart meters continuously measure energy consumption and provide energy based precisely on the users' current needs. With intelligently connected meters, they have an overview at all times of how much gas, electricity or water they use and when. The company co.met GmbH, for example, provides services for the operation of metering points to more than 400 usually municipal energy utilities and local authorities. The Telefónica Deutschland Group not only realises the mobile communications connection of the smart meter gateways for this customer, but also simplifies SIM card administration with the Kite platform.

In the area of smart mobility too, 5G mobile communications or the new LTE-M mobile communications standard make solutions with increased energy efficiency possible, such as the operation of charging stations for electric vehicles. Entire industry sectors such as logistics as well as companies in all other industries will also benefit from the ability to digitalise their vehicle fleets and

GRI Management approach: Indirect
economic impacts (103-2; 103-3);
GRI 203-1; 203-2; 413-2

UNGC-Principles 9

individual vehicles. In specific fields of application, we can offer our customers a separate network infrastructure thanks to network slicing, thereby reducing network complexity.

With smart mobility, we offer our business customers IoT-based analysis applications for their company fleets, enabling them to improve driver safety, reduce fuel consumption and lower servicing costs. For example, telematics solutions such as Geotab ↗ allow for smart fleet management from a single source and offer our customers even greater transparency, enabling them to keep to the statutory requirements for average CO_2 fleet emissions. The innovation enables logistics and transport companies to make exceptional savings. The Geotab telematics devices already feature IoT SIM cards provided by the Telefónica Deutschland Group ex works that are designed specially for demanding environmental conditions and guarantee a long service life. With our plug-and-play solution, vehicles are made smart in a matter of minutes and can log vehicle and engine data. The application is suitable for all manufacturers' passenger cars and commercial vehicles.

Smart cities pooling 5G innovations
The enormous capacities and transmission rates of 5G in conjunction with cutting-edge IoT solutions are helping cities become smart. In smart cities and megacities, it will be possible to make road traffic safer, coordinate it better and advance mobility solutions of the future such as connected and autonomous driving. For the residents, the benefits of an intelligently connected city go far beyond improved road traffic. In the future, they will be able to connect their own household to the smart city too, linking up to, for example, the municipal utilities and their smart metering processes.

We want to play our part in the development of smart cities in which people can benefit from a sustainable quality of life. Our smart city concept

is based on us as a telecommunications service provider having experience of how people use technologies and what the people living in a modern city expect. We make this knowledge available to municipal decision makers subject to strict data protection compliance and develop with them our product portfolio, open platforms and diverse digital solutions.

Sustainable data analysis benefits

As a mobile operator with currently around 45.7 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 a network operator. With the mobility insights line of business, we support research projects which seek 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 health care to efficient energy management and private consumption.

The public transport company Berliner Verkehrsbetriebe (BVG), for example, draws on mobile communications data analysis with our assistance in order to plan and coordinate their bus and rail services better. The company receives anonymised data on passengers getting on and off or changing between modes of transport as well as on transport links. This is based on Telefónica Deutschland Group data and is made available to BVG by Teralytics. The project is supported by the Federal Ministry of Digital and Transport (BMDV) as part of its "Digitalisation of municipal transport systems" funding guidelines.

The relevance of mobility analysis based on mobile communications data was borne out in particular by how the COVID-19 pandemic was dealt with. We exercised our social responsibility here and assisted the Robert Koch Institute (RKI) in its work again in the year under review together with partners such

as Teralytics and Senozon. For example, it is possible to track mobility streams ↗ throughout Germany on the basis of anonymised and aggregated mobile telecommunications data. This data is used among others by the Federal Statistical Office to learn about the effects of the measures implemented on the basis of the population's movements during the pandemic.

To make it impossible for data from digital sources such as mobile communications to be associated with a specific person, we use a three-stage anonymisation process ↗. Due to this anonymisation, the customers' consent is not necessary from a legal point of view. We nevertheless make it possible for them to object to their data being used for statistical evaluation by means of a text-message-based process. This gives all the customers the opportunity to weigh up their personal preferences and the benefit that their data may create for the economy and society.

Artificial intelligence applied to customer dialogue

The large scope of the ways in which AI can be used ranges from small things that make day-to-day life easier to major benefits for society and the economy, such as supply chain optimisation, improved medical diagnoses and the overcoming of humanitarian disasters. For example, the market research company Gartner is forecasting the business value derived from AI solutions to be USD 3.2 trillion in 2022.

AI is founded on large volumes of data – something which the Telefónica Deutschland Group too generates billions of times a day in its normal business processes, e.g. in the mobile communications network and in its IT processes. The company's internal Digital & Data Competence Center (DDC) uses this data in accordance with the data protection

GRI Management approach: Indirect economic impacts (103-2; 103-3); GRI 203-1; 203-2; 413-2

UNGC-Principles 9

provisions and supports the various departments with extensive analytical know-how, including in relation to AI. More than 80 experts work at the company's dedicated AI centre of excellence, developing concrete solutions for our customers.

We also use the AI function Aura, which is incorporated into the O₂ website and our WhatsApp service channel as a direct interface between us and our customers. Aura offers personalised information and services that we continue to expand in order to reach more customers and broaden our interaction with them. The current fields of application include network fault checks, viewing payment statuses, invoices and tariffs, enquiring about data volumes, topping up credit in the prepaid area and making use of multimedia services.

We have a particular responsibility as a company when using AI and we therefore follow ethical principles with which we wish to place the focus on people's interests and boost their confidence in this technology. To this end, we have developed guidelines with criteria on the basis of which we evaluate all AI-related projects. We also base our actions in this area on the Telefónica, S.A. Group's Digital Manifesto ↗.

AI is increasingly playing a crucial role at Wayra too. For example, we entered into a cooperation with the start-up Mostly AI, which specialises in data synthesising. This focuses on facilitating the use of large data volumes and at the same time comprehensively protecting the customers' privacy.

Our ethics of artificial intelligence

Our ethical principles on using artificial intelligence make the people the focal point. We assess all projects with AI according to the following ethical principles:

Fair and accessible for all
It is important to us that all AI applications lead to fair results. In addition, all parts of society should have access to these digital opportunities.

AI is to serve society
We will only overcome people's scepticism if the use of AI creates tangible advantages.

Rules for AI use
Not everything that is possible is also morally justified – there have to be limits on AI's use.

People first, AI second
People must remain the highest ethical authority.

Checking third parties
We reserve the right to review the legality, correctness and logic of data from third parties.

Transparency and data protection
The use of data has to be transparent and the data has to be protected.

GRI Management approach: Indirect
economic impacts (103-2; 103-3);
GRI 203-1; 203-2; 413-2

UNGC-Principles 9

Platform for secure identities on smartphones
Smartphones are increasingly being used as a means of personal identification. However, further steps are still needed for the achievement of a security level comparable with that of an ID card or other identification systems. Once again in the reporting year, the Telefónica Deutschland Group joined with the federal printing company Bundesdruckerei as well as other companies and research institutions to create a security architecture for services with high protection requirements – the ONCE project simplifies processes of great day-to-day relevance with the aid of trustworthy secure digital identities. This concerns administrative procedures in the service portal of a local authority or a district, the conclusion of a contract with a car hire company or checking into a hotel. The ID systems are currently being put to the test in the Hesse region and in local authorities in North Rhine-Westphalia. The project is being funded by the Federal Ministry for Economic Affairs and Climate Action.

Likewise in the reporting period, we launched the first service in a "smart digits" portfolio. This enables our partners to use a SIM card's activation date to determine whether a transaction might be fraudulent.

Wayra: successful partnerships with start-ups

The magazine *Capital* named Wayra the best innovation laboratory in Germany in 2021. Wayra was the first digital innovation unit to achieve a score of more than 4.5, earning itself a five-star rating. We achieved above-average scores in the criteria of "Growth and potential", "Speed" and "Economic success". Wayra was additionally nominated for the renowned Rudolf-Diesel-Medaille, Europe's oldest innovation award, in the year under review. The winners will be announced in spring 2022.

We promoted 28 new start-ups in the areas of artificial intelligence, fintech, the IoT, data analytics and sustainability through Wayra in 2021. Women have only 7 % representation overall in German start-ups. Wayra therefore has the topic of diversity firmly enshrined in its strategy and has agreed appropriate KPIs for all of its employees. For example, the venture development managers are required to scout suitable female start-ups and incorporate them into the programme, i.e. start-ups which are managed by women or which have at least one woman at the C-level of management. A number of start-ups which are supported by Wayra are already managed by women.

Wayra's promotional activities are increasingly focusing on start-ups which are developing sustainable and climate-friendly 5G applications. We inaugurated the 5G Tech Lab to this end in March 2021. At a 1,000-square-metre showroom in Munich, start-ups which are developing sustainable innovations in the areas of 5G and the IoT can make use of the very latest technology infrastructure, collaborate with 5G experts and developers and present their ideas to companies in the Telefónica network. One of the start-ups presenting its solutions in the 5G Tech Lab is foldAI. The founders are using the IoT, artificial intelligence and data science to combat climate change. Sensor-generated data on the natural ecosystem is made available to the users in real time via a web application, allowing them to incorporate the data into their decision-making, for example regarding sustainable forest management.

Keepoala is another Wayra start-up with a sustainable approach. The three founders wish to reduce the CO_2 emissions of online clothing retail by rewarding buyers who keep the items they ordered with a points system. This pays off for the mail order companies because returns cause high costs. The start-up The Climate Choice, which is supported by Wayra, likewise assists companies with decarbonisation. Its focus is the supply chain. The Telefónica Deutschland Group is also cooperating with The Climate Choice to analyse and ultimately reduce its own supply chain emissions.

In July 2021 Wayra offered input with a session on data-based applications for social innovations at the One Young World Summit in Munich. CEO Florian Bogenschütz and three founders who are supported by Wayra discussed the numerous possibilities of creating connections between companies and start-ups with the session participants.

Advancing the digital working world

Top attractiveness as an employer

Designing the work environment

Future employability

Mission for 2025

We want to advance tomorrow's digital working world as an attractive employer.

60.4 points

in the employee Net Promoter Score (eNPS) for attractiveness as an employer: +6,6 points compared to previous year

100 %

access to professional development is what we want to offer our employees

Designing the work environment

Commitment

We will focus on interactions founded on fairness, equal opportunity and working together as partners to jointly shape tomorrow's working world. We will see our diversity as a strength and offer new ways of working which support the dedication of our employees and enable them to reconcile work with a range of lifestyles.

Our achievements

We are systematically implementing our 5 Bold Moves, thereby making it easier for different life-styles and professional needs to be reconciled. We are delighted to have a high level of employee satisfaction. Our employee Net Promoter Score in 2021 was above the previous year's, which itself was good. 94 % of the employees confirmed in a survey that the Telefónica Deutschland Group supports equality and provides equal opportunities for all. We launched the Women in Data grant, which is enabling 50 women to train as data analysts. More than 44 % of the workforce is involved in social projects.

3

Third time of being included in the Bloomberg Gender-Equality Index (GEI)
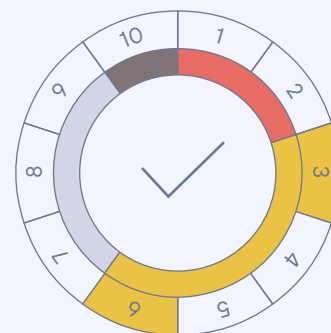
94 %

of the employees confirm there is equal opportunity at our company

Focus SDGs

We promote gender equality, equal opportunity and closing pay gaps and offer men and women, including people with disabilities, high-quality employment. We encourage our employees to champion causes and help disadvantaged people.

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Employee involvement

We involve employees in the digital transform-ation, including them in shaping the change and in the decision-making process, and promote open dialogue in our company.

Corporate Digital Responsibility Initiative

GRI Management approach: Employment
(103-2; 103-3); Labour/management
relations (103-2; 103-3); Diversity and
equal opportunity (103-2; 103-3);
Non-discrimination (103-2; 103-3);
GRI 102-8; 102-43; 401-2

UNGC-Principles 3, 6

Designing the work environment

BASIC PRINCIPLE AND CHALLENGES
Boosting appreciation and diversity

We wish to establish an appreciative work environment within the Telefónica Deutschland Group in which all the employees can take advantage of the opportunities offered by digitalisation and can enjoy equal access to career opportunities that cater to individual lifestyles. We are expediting digital transformation in our company by focusing more than ever on hybrid collaboration, flexibility and productivity – all while considering the individual employees' needs as well as our contribution to society.

As a company with more than 7,400 employees, we have an important social responsibility with regard to equal opportunity. This applies not only to access to digitalisation, which we as a telecommunications company wish to afford all people, but also to the development opportunities for those who work for the company. Diversity makes us a more efficient company because in times of accelerated change in particular, the interplay of different skills, viewpoints, experiences and backgrounds is a key factor contributing to success and our ability to compete.

Since the onset of the pandemic, the Telefónica Deutschland Group employees have managed to productively collaborate almost exclusively virtually. Personal meetings nevertheless remain important. We therefore intend to combine both of these options in a hybrid working world in the future. For this "new normal", we need to strike a good balance between business interests, our

employees' needs and clear agreements. Another aspect which is crucial, however, is a change in perspective from solely working from home to a hybrid working model which combines the best of digital collaboration with meeting in person. In this way, we want to preserve the positive changes seen during the pandemic.

Our 5 Bold Moves, which we adopted in 2020, serve as guidelines on our way to the digital working world of the future. One important objective of these five key initiatives is to boost employee engagement and loyalty by means of flexible work options. In the 2021 pandemic year as in the previous year, working time flexibilisation was of vital importance to those employees who had to offset a lack of nursery- or school-based childcare.

We want to focus on flexibility once the pandemic is over too, making it easier for the employees to reconcile various lifestyles with their work roles. Our aim is to make the most of our employees' potential across all the generations, genders and professional and personal backgrounds. This is becoming increasingly important, in particular in view of ongoing demographic change. We therefore need to encourage the employees to continue to pursue internal mobility and further development at all stages of life and all career levels.

38.5 % of the employees of the Telefónica Deutschland Group are female. The proportion of women in senior management (incl. the Management Board) at the end of the 2021 reporting year was 28.8 %. Our endeavours to make women in management positions successful and to increase

the proportion of women in top management are enshrined in our corporate goals. One challenge in this context is recruiting enough female future managers to be able to increase the proportion of women in managerial positions as planned.

Employee engagement is a key factor in the success of the Telefónica Deutschland Group – and the potential of our employees to pull together in society to promote the responsible handling of digital transformation is just as big. With the involvement of the executives, we therefore create a work environment to which our employees can actively contribute with their achievements, their ideas and their social engagement, for example through voluntary activities with the ReDI School of Digital Integration.

We set great store by interactions founded on fairness, working together as partners and an inspiring motivating work climate. We wish to remain an attractive employer for our employees as well as for external applicants in the future on the basis of appropriate measures and in ongoing dialogue with our staff.

GRI Management approach: Employment
(103-2; 103-3); Labour/management
relations (103-2; 103-3); Diversity and
equal opportunity (103-2; 103-3);
Non-discrimination (103-2; 103-3);
GRI 102-8; 102-41; 102-43; 401-2

UNGC-Principles 3, 6

PROCESSES AND MANAGEMENT
Regular feedback from the employees

Our Chief Human Resources Officer (CHRO) has overarching responsibility for the area of staff matters. We conduct regular employee surveys in order to assess the attractiveness of our work environment and the progress we are making with the core issues regarding our transformation. These include short surveys conducted throughout the year known as Pulse Surveys and the annual global Employee Experience Survey. Both types of survey are conducted online, anonymously and voluntarily among all employees of the Telefónica Deutschland Group. The values measured include the employee Net Promoter Score (eNPS), which is a sign of the likelihood of employees recommending Telefónica as an employer. It is therefore a key indicator of our attractiveness as an employer. Scores are also calculated for agility, leadership skills and mobility.

We achieved an eNPS score of 60.4 points in 2021, thus surpassing the previous year's score (53.8) once again. Anything above zero means the majority of the employees are happy and would recommend their employer. The key drivers were the high degree of flexibility regarding working time and place of work and also the support offered during the pandemic. Other issues that contribute to the eNPS in particular are the employees' communal spirit, joint social engagement, and development and career opportunities.

Other results show that 93 % of our employees still feel they are part of a team in spite of working virtually while the pandemic situation continues and that the core transformation topics such as management development, mobility within the company and the development of material future skills were successfully advanced even during the COVID-19 pandemic. 92 % of those surveyed identify with the Telefónica Deutschland Group's business purpose – they agree with the statement that what we do at Telefónica in Germany has a specific purpose and that society benefits from this.

The response rate for the global survey was 77 % in 2021; this meant it remained stable at a high level year-on-year (2020: 77 %). Together with the Pulse Surveys conducted during the year, the global Employee Experience Survey plays a part in us regularly reviewing the progress we have made regarding our key HR strategy topics on the basis of data and then implementing targeted measures. We additionally make the results available to executives in a digital dashboard, where they can see the figures for their division and can work on the improvement potential identified, with the assistance of the HR division and external coaches.

Our HR strategy helps us manage our measures and processes and determine the main emphases. Our Human Rights Policy contains guidelines on how we treat our employees. Our Business Principles additionally apply to all employees.

Strong representation of the employees' interests

18 works council bodies represent the interests of virtually all the employees of the Telefónica Deutschland Group. Germany's Works Constitution Act (BetrVG) affords works council members far-reaching authority as employee representatives, thereby strengthening employees' rights. The employee protection offered by Germany's works constitution legislation is in many respects considerably better than the protection offered in other European and non-European countries.

Irrespective of representation pursuant to works constitution legislation, workers in Germany are entitled to unionise. Trade unions are also represented within Telefónica Deutschland Group operations and on the Supervisory Board of Telefónica Deutschland Holding AG. They co-determine the company's labour conditions. For this reason, there is no need for a specific policy to uphold freedom of association and collective bargaining within the Telefónica Deutschland Group.

Preventing discrimination

With our Human Rights Policy ⬈, we have made a commitment to fair, respectful and non-discriminatory treatment as the foundations of successful collaboration. We have also underpinned this commitment by signing the Charta der Vielfalt (Diversity Charter). The signatory companies and institutions commit to creating a work environment which is free of prejudice. All employees are to be respected irrespective of their gender, nationality, background, religion or faith, disability, age, sexual orientation or identity. The initiative's patron when the non-profit organisation Charta der Vielfalt e. V. was established in 2010 was Angela Merkel. We have also undersigned the United Nations' standards of conduct tackling LGBTI discrimination. These guide our actions, as we also underscored in June 2021 when we lit up the O₂ Tower in the

Attractiveness as an employer: annual employee survey

	Unit	**2021**	2020	2019
Response rate	%	**77**	77	79
Employee Net Promoter Score (eNPS)	Score	**60.4**	53.8	21.5

Connecting people
Reliable.sustainable.inclusive

Principles of governance for
responsible corporate management

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI Management approach: Employment
(103-2; 103-3); Labour/management
relations (103-2; 103-3); Diversity and
equal opportunity (103-2; 103-3);
Non-discrimination (103-2; 103-3);
GRI 102-8; 102-41; 102-43; 401-2

UNGC-Principles 3, 6

colours of the rainbow for people to see far and wide (more information on this in the "Transparency and dialogue" chapter).

The Telefónica Deutschland Group additionally adopted the Diversity & Inclusion Policy ⬈ in 2021 which reaffirms the fact that our work environment should be free of harassment and discrimination and that there should be equal opportunity regarding employment, job classification and career development. The management team promotes diversity regarding knowledge, experience, gender, nationality and other aspects in executive positions too.

If our Business Principles are violated, for example in the form of bullying or harassment, employees can contact a confidential whistle-blower system with an independent ombudsman or the human rights reporting channel. More on the

whistle-blowing channel, our employee training on treating each other ethically and our Business Principles can be found in the "Compliance and ethical principles" chapter. The online training we provide regarding Germany's General Act on Equal Treatment (AGG) and focusing on diversity and inclusion is mandatory for all employees every three years. Up to the end of the reporting year, 94.9 % of the employees had been given training on the AGG in the past three years, equating to a total of 5,003 training hours[1].

We are endeavouring to further reduce the gender pay gap within the Telefónica Deutschland Group. Our uniform remuneration system at Telefónica Germany GmbH & Co. OHG will also serve this purpose, ensuring that positions and salaries are assessed objectively and treated equally.

STRATEGIC PRIORITIES
High degree of flexibility in day-to-day work

We defined our future ways of working with our 5 Bold Moves in 2020. The focus in 2021 was first and foremost on gradually embedding the five key initiatives, for example by means of specific information events, supplementary material and coaching for executives and employees.

The five key initiatives help to accelerate our company's transformation into an organisation which is adaptable and which will continue to be efficient in the future and are therefore an important part of our HR strategy. The key initiatives encompass:

- Working anywhere – working wherever it is most productive
- Working anytime – maximum work time flexibility
- Outcome-based leadership – systematic focus on results
- Digital by default – virtual meetings as the new standard
- 70% less travel – significantly fewer internal business trips

With the increasingly digital way of working that comes with these initiatives, we are improving the reconcilability of different lifestyles with professional needs, are promoting inclusion and are offering, among other things, new opportunities in terms of women in management positions.

In view of the ongoing pandemic, we are endeavouring to offer our employees as much flexibility as possible regarding their day-to-day work. Health protection remains the top priority (more information in the "Future employability" chapter).

We had already provided close to a third of all the employees with IT equipment at the beginning of the pandemic so that they could work from home. To make working from home easier for all the other employees too, we have been offering them free IT equipment and discounted office furniture since April 2021.

To promote open communication within the company, various formats involving the Management Board and employees are in place. These include regular digital dialogue meetings with executives and a digital format newly created in 2021 which gives employees the opportunity to engage directly with the Chief Human Resources Officer (CHRO) and obtain information on changes which are relevant to them, ask questions and give feedback.

[1] Proportion based on number of employees of Telefónica Germany Group but not including employees on leave, external consultants and temporary employees (staff count: 7,030; previous year: 7,717).

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GRI Management approach: Employment
(103-2; 103-3); Labour/management
relations (103-2; 103-3); Diversity and
equal opportunity (103-2; 103-3);
Non-discrimination (103-2; 103-3);
GRI 102-8; 102-41; 102-43; 401-2; 405-1

UNGC-Principles 3, 6

The Management Board members Markus Haas and Nicole Gerhardt announced the winners of the new People Award during the Telefónica Tower Talk in January 2021. The People Award went to around 700 co-workers from five cross-functional teams who achieved great things in the previous year, for example assisting with the roll-out of 4G/5G or working on the COVID-19 task force.

The Telefónica Deutschland Group management made a commitment to the cornerstones of the hybrid working model in a Leaders Commitment in 2021, pledging to offer the employees the greatest possible flexibility in terms of when and where they work. The commitment states that trust, freedom and responsibility are at the heart of future collaboration. If their work activities allow it, all the employees have the option of working from home.

The negotiations with the employee representation bodies are ongoing, in particular regarding the topics of mobile work and working time flexibilisation. Telefónica, S.A. and the European Works Council have already agreed on the principles of availability when working from home ("right to disconnect").

Recognition of our equal opportunity

The Telefónica Deutschland Group is actively involved in the Telefónica Group's Global Diversity Council and promotes diversity in a variety of ways: our workforce includes people from 67 different countries, talented young individuals, older members of staff and, for a number of years now, two women on the Management Board. We have been recognised numerous times for our commitment to equality and inclusion. We were included in the highly regarded Bloomberg Gender-Equality Index (GEI) ↗ for the third consecutive year in 2022.

The employees themselves appear to be very happy too – 94 % of them (2020: 93 %) stated in the company-wide survey conducted in May 2021 that they experienced pronounced equal opportunity at the Telefónica Deutschland Group. For us, this also includes equal access to digital skills – this is an important element of participation in the working world of the future. We therefore introduced the Digital Basics Learning Journey in 2021 featuring learning content that can be incorporated into any kind of day-to-day work (more information in the "Future employability" chapter).

Better career prospects for women
The Women in Data grant seeks to offer women new career prospects in digitalisation. The initiative of Telefónica Deutschland/O₂ and the Wayra start-up StackFuel offered a total of 50 grants for women in Germany in May 2021, enabling women to train to become data analysts at StackFuel. As the proportion of women working in the area of data is still too small, we want to use the grant to encourage them to pursue a new career path with future relevance and actively play a part in shaping digital transformation. Our receiving more than 350 applications illustrates the high level of interest in initiatives of this kind. For the Telefónica Deutschland Group, the initiative is an important component of establishing equal opportunity in the working world of the future.

The vibrant internal community Telefónica-Connects serves female employees at our company as a networking platform. As well as providing inspiration through regular specialist presentations by engaging personalities and role models, this initiative increases the overall visibility of women at the company. Around 320 employees were already active in the network in 2021, playing their part in promoting gender diversity at our company.

To achieve a balanced gender ratio, more women are also needed at the top management levels – we have set ourselves the target of having 30 % women in top management positions by 2022 (and over 33 % by 2024), which would put us comfortably above the targets that generally apply in the German information and telecommunications industry. We have made significant progress here, with the proportion having increased from 27.8 % in 2020 to 28.8 % in 2021 (incl. the Management Board), but nevertheless narrowly missed our target.

At the second edition of its The Funding Cocktail event held in October 2021 our innovation laboratory Wayra addressed issues including the proportion of women in the start-up scene, which remains low. In her keynote speech, Gesa Miczaika, Managing Director of Auxxo and member of the Management Board of the German Startups Association, spoke about the missed opportunities as a result of a lack of female start-up founders. While just under 18 % of start-ups throughout Germany were (co-)managed by women in 2021 according to the German Startup Monitor, Wayra boasts a significantly higher proportion, with close to 30 % of the start-ups it supports having female management.

Within society, we are also actively involved in the Chefsache initiative which, with top-class support from the fields of business, science, media and politics, promotes equal opportunity for women and men. The Telefónica Deutschland Group is also a member of the Advisory Council of the initiative #SheTransformsIT, which champions the increased presence of women in digitalisation[1].

As a partner and sponsor of the Digital Female Leader Award (DFLA), we want to play a part in making female role models more visible. With more than 2,000 female applicants, it is the most important award for women in the digital economy in the German-speaking world. Initiated by Global Digital

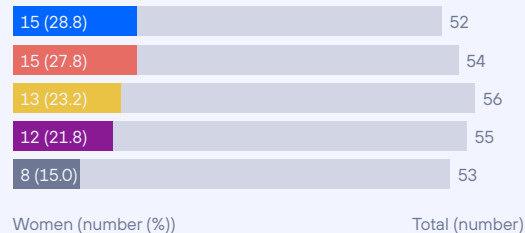[1] Source: https://deutscherstartupmonitor.de/

Diversity

Women in the company as a whole
Number and per cent
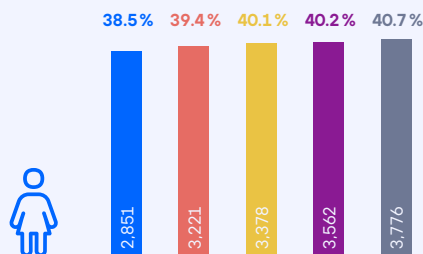
Senior management
at reporting level 1 (incl. Management Board)

Women (number (%))	Total (number)
15 (28.8)	52
15 (27.8)	54
13 (23.2)	56
12 (21.8)	55
8 (15.0)	53

Women on the Management Board
in %

- 25.0 %
- 25.0 %
- 28.6 %
- 28.6 %
- 28.6 %

Nationalities of employees
Number

2021 **67**
2020 **75**
2019 **78**
2018 **74**
2017 **76**
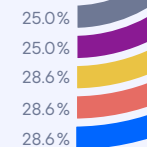
- 2021
- 2020
- 2019
- 2018
- 2017

Women (GDW), the DFLA focuses on women who boldly advance digitalisation and shape the industry with their dedication. The award was presented for the fourth time in 2021, including in the "Sustainability" category, which the Telefónica Deutschland Group supports as a partner.

Company-wide commitment

For us, social commitment is inseparable from 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.

The Telefónica Deutschland Group's volunteering programme was aligned with our purpose – "We democratise access to a sustainable digital future to make day-to-day life better for everyone." – with special themed weeks in 2021. The themed weeks focused on access to digitalisation and to sustainability as well as connections between people. The topic in March 2021 was targeted assistance during the pandemic – in collaboration with the Digital Opportunities Foundation, volunteers gave senior citizens a few light-hearted hours during the ongoing lockdown in the form of virtual games afternoons. Other volunteers supported children and young people through the virtual homework support provided by our social partner Die Arche e. V.

The focus of the second themed week in May was access to digitalisation. Here, volunteers were able to help the elderly familiarise themselves with and learn to understand the digital world, among other things with the aid of a digital toolbox which employees in the Corporate Responsibility and Customer Service divisions developed together with the Digital Opportunities Foundation (more information on our work with senior citizens in the "Digital access" chapter).

The final themed week in September was run under the motto of "Better everyday for all". To make everyday life better for everyone, volunteers worked among other things on developing a map for wheelchair-accessible places, supported refugees in online chats and sorted food donations for food banks. 44 % of the employees served as

GRI Management approach: Employment
(103-2; 103-3); Labour/management relations
(103-2; 103-3); Diversity and equal opportuni-
ty (103-2; 103-3); Non-discrimination (103-2;
103-3); Local communities (103-2; 103-3);
GRI 102-41; 102-43; 401-2; 413-1

UNGC-Principles 3, 6

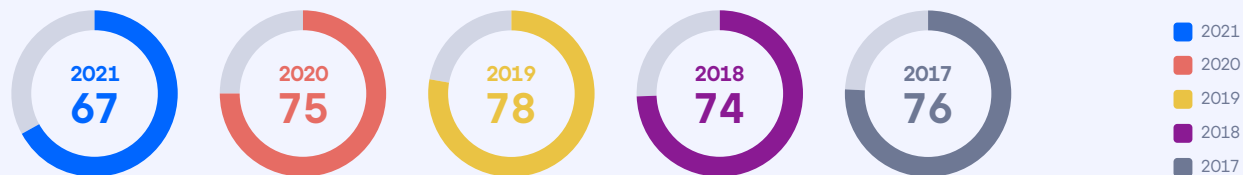volunteers in the year under review – many of them above and beyond the themed weeks. There were, for example, special relief campaigns for those affected by the flood disaster in Germany.

Company-wide team events held for a good cause also boosted employee loyalty, a feeling of unity and a sense of shared social responsibility in 2021. In our company-wide Team UP! Challenge, teams of up to ten participants solved various app-based tasks and collected points that went towards a donation to the social project Virtuelle Arche (Virtual Ark). The 20 tasks related to the areas of the environment, social affairs and digital matters. The tasks included the participants avoiding plas-tics while shopping, supporting small local shops or artists and familiarising elderly people they know personally with digital topics. With the option of additionally incorporating family and friends, the Team UP! event also served as a counterbalance to the challenges of everyday life during the pandem-ic involving both professional and personal life.

Our Germany-wide O₂ Telefónica Run in November coincided with the transition to our hybrid work culture. Following months of working from home, more than 1,600 employees collected money one step after the other in our joint running week. The proceeds totalling EUR 50,000 were donated to the project "Tafel of the future – going digital together", which simplifies food salvaging with the aid of digital solutions.

Extensive additional benefits

The Telefónica Deutschland Group is not bound by collective bargaining agreements. We nego-tiate all arrangements regarding remuneration systems and labour conditions which are subject to co-determination regulations directly with our operating partners on the basis of trust to ensure that the specifics of the telecommunications industry and the needs of the employees can be taken into account.

We consider the comprehensive additional bene-fits that the Telefónica Deutschland Group offers its employees to be an important component of our attractiveness as an employer. Depending on the Group company and the employee group, these include company pension subsidies, discounts on public transport, insurance policies, meal sub-sidies, a family service and employee credits for our products and services.

In the case of the following benefits, no distinction is made between full-time and part-time employ-ees: Group accident insurance (incl. disability and invalidity coverage), health care, stock ownership, meal subsidies, use of company facilities such as the canteen and the sports programme, and employer's contributions to tax-deductible savings schemes. Permanent employees are entitled to a company pension. Personnel expenses came to EUR 585 million in the year under review (2020: EUR 611 million).

In the case of certain benefits, part-time em-ployees are awarded the same sum as full-time employees. These include the travel allowance and call credit for the company's services. Most fringe benefits are offered to part-time employees based on their pro rata level of employment or part-time salary. Regarding staff employed via temporary work agencies, the principle of equality as per Section 8 of the German Act on Temporary Agency Work (AÜG) applies.

Via the Global Employee Share Plan (GESP), the employees of all Telefónica companies have the opportunity to participate in Telefónica, S.A.'s em-ployee share programme. The most recent share savings plan was launched in 2019 and had a term of two years. At the end of the holding period, the participants received a free Telefónica, S.A. share for every two shares bought. 166,312 shares were allocated to 1,234 Telefónica Deutschland Group employees free of charge in this way in August 2021.

We offer all the employees a family service in co-operation with famPLUS. This includes assistance for working parents with organising qualified child-care. Backup support is another of the services, its aim being to mitigate emergencies in the event of the unforeseen absence of regular childcare. All salaried employees are entitled to up to five days of this per child and calendar year.

We held the annual children's days virtually for the first time in 2021. Together with famPLUS, we offered our employees and their offspring the Sili-con Valley Kids event over three days in November, during which they were able to participate in a child-friendly online escape room, magic classes and a quiz. Some 150 employees and their children participated in the virtual children's days.

The Blue Bike bicycle leasing service was launched in mid-2021. This allows employees to travel in an environmentally sound way on a leased bike while also doing something for their health. The Telefónica Deutschland Group also developed a digital process that enables the bikes to be ordered with just a few clicks. The leasing service is treated as gross deferred compensation.

GRI 102-8

UNGC-Principles 3, 6

Employee key figures

Legend: Women (purple), Men (blue)

Age group	Year	Average age of employees — Number (Women / Men)	Staff turnover[1] — Number (%) (Women / Men)	New employees[2] — Number (%) (Women / Men)
< 30 years	2018	580 / 713	198 (15.6) / 263 (20.7)	193 (22.5) / 270 (31.5)
	2019	471 / 620	208 (17.2) / 244 (20.2)	196 (25.5) / 263 (34.2)
	2020	389 / 523	157 (17.1) / 211 (23.0)	157 (24.1) / 221 (33.9)
	2021	306 / 420	154 (11.7) / 174 (13.2)	127 (23.9) / 153 (28.8)
30–34 years	2018	652 / 840	110 (8.6) / 153 (12.0)	48 (5.6) / 112 (13.1)
	2019	592 / 715	72 (6.0) / 169 (14.0)	38 (4.9) / 89 (11.6)
	2020	496 / 672	54 (5.9) / 89 (9.7)	31 (4.8) / 79 (12.1)
	2021	413 / 556	78 (5.9) / 127 (9.6)	35 (6.6) / 68 (12.8)
35–44 years	2018	1,299 / 1,826	155 (12.2) / 192 (15.1)	49 (5.7) / 89 (10.4)
	2019	1,258 / 1,720	126 (10.4) / 172 (14.2)	45 (5.9) / 76 (9.9)
	2020	1,250 / 1,672	97 (10.6) / 118 (12.9)	28 (4.3) / 76 (11.7)
	2021	1,126 / 1,507	160 (12.1) / 211 (16.0)	31 (5.8) / 70 (13.2)
45–54 years	2018	723 / 1,530	56 (4.4) / 86 (6.8)	25 (2.9) / 48 (5.6)
	2019	736 / 1,555	48 (4.0) / 94 (7.8)	19 (2.5) / 27 (3.5)
	2020	742 / 1,563	52 (5.7) / 64 (7.0)	15 (2.3) / 27 (4.1)
	2021	711 / 1,486	86 (6.5) / 147 (11.1)	16 (3.0) / 22 (4.1)
≥ 55 years	2018	308 / 385	34 (2.7) / 26 (2.0)	12 (1.4) / 11 (1.3)
	2019	321 / 443	42 (3.5) / 33 (2.7)	8 (1.0) / 7 (0.9)
	2020	344 / 531	40 (4.4) / 35 (3.8)	7 (1.1) / 11 (1.7)
	2021	295 / 583	106 (8.0) / 77 (5.8)	2 (0.4) / 6 (1.1)

Total	Average age	Staff turnover	New employees
2018	Ø 40.1 years	1,273 employees (14.1 %)	857 employees (9.5 %)
2019	Ø 40.9 years	1,208 employees (14.0 %)	768 employees (9.0 %)
2020	Ø 41.7 years	917 employees (11.1 %)	652 employees (7.9 %)
2021	Ø 42.4 years	1,320 employees (16.9 %)	530 employees (6.8 %)

[1] The basis is the number of employees who left over the period from 31 December 2020 to 30 December 2021/mean PIP value at the five reporting dates 31 December 2020, 31 March 2021, 30 June 2021, 30 August 2021 and 31 December 2021.
[2] The basis is respectively the number of new entries over the period from 1 January to 31 December of the relevant financial year.

Future employability

Commitment

We will create a framework which enables employees and executives to utilise their diverse skills in the best possible way and further develop on an ongoing basis, thereby boosting their long-term employability with future-oriented skills. Amid the ever-changing demands of the digital world, it is also particularly important to us to maintain and promote our employees' health and safety by being a responsible employer.

Our achievements

We launched a learning programme in 2021 to teach all the employees basic digital skills. The members of the Technology team learned new agile methods on a learning journey. Our new Telefónica Digital Transformation Programme for young experienced talent was likewise launched in 2021. Our BEYOND initiative continues to promote the employees' willingness to be internally mobile. And with StayFit4You and StayFit@Home, we provide the employees with digital offerings to enable them to get moving, eat healthily, relieve stress and overloading, and increase their resilience.

3,072

employees participated in the
Digital Basics Learning Journey

First place

in the Corporate Health Award 2021
in the information and communication
technologies sector

Focus SDGs

The health, safety, well-being and development of our employees are elementary for us. We promote equal opportunity in all areas. We also eliminate inequalities by investing in digital skills, enabling all the employees to enjoy the advantages of digitalisation equally.

| 4 QUALITY EDUCATION | 5 GENDER EQUALITY |

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Employee involvement

We are supporting all of our employees in the digital transformation with high-quality training and education opportunities and are jointly adapting to digital change.

Corporate Digital Responsibility Initiative

Future employability

BASIC PRINCIPLE AND CHALLENGES
Maintaining health and developing skills

We want to offer our employees high-quality training and education opportunities across all generations, career levels, work realities and stages of life. In this way, we are pursuing the goal of jointly adapting to digital transformation and enabling everyone to make use of the opportunities offered by digitalisation. Our focus here is on developing and enhancing digital and data-centred skills and embedding internal mobility and agility in the company.

In view of the ever-changing demands of the digital world, we also see it as our particular responsibility as an employer to ensure the safety and health of our employees. We therefore engage in comprehensive health management to preserve the health of our employees and prevent work-related illness and occupational accidents.

The COVID-19 pandemic presents us with some particular challenges as it brings with it a variety of health risks for the employees related to, for example, uncertainty and stress or the fact that striking a balance between work and private life is more difficult when working from home. We have given the health and safety of our employees top priority when dealing with the pandemic. A large proportion of the workforce worked together virtually from their respective homes again in the reporting year. We endeavour to promote the health of all the employees of the Telefónica Deutschland Group with comprehensive digital programmes, no matter whether they are working from home or in the workplace.

With its different ways of working and hybrid work models, the digital working world presents not only employees but also executives with new challenges. For us to be able to jointly actively shape transformation, the Telefónica Deutschland Group is making targeted investments in the ongoing self-managed further development of employees and executives, for example with regard to individual responsibility, a focus on results and team development.

Different work realities, for example in the corporate functions, in customer service and at the shops, call for carefully designed learning and further-training options in order to make the offerings accessible for all the employees equally. Once again in the pandemic year 2021 a challenge we faced was that meeting in person was not possible for extended periods and that many further-training offerings could only be realised virtually. Digital formats such as interactive virtual live sessions proved their worth as a means of communicating material learning content. In this way, employees were able to develop, for example, basic skills regarding key digitalisation topics.

Our aim is also to acquire highly qualified new employees. Using various initiatives, we seek to enthuse young talent in particular and promote their development. In this way, we secure qualified junior staff for the company and strike a good generational balance. Both of these together – our employees' professional development and our acquiring new talent – will strengthen the workforce's employability and the organisation's future viability in the long term.

PROCESSES AND MANAGEMENT
Focus on the employees' needs

We conducted an employee survey on the topic of further development at various stages in life for the first time in the reporting year in order to be able to make our offerings an even better fit in the future. More than 1,100 employees participated. There is a high degree of general willingness within the workforce to develop further across all the generations and stages of life. Approximately 50 % of the employees can envisage job rotation within the company to familiarise themselves with other divisions. But the survey also showed that many employees want more development opportunities that take their specific needs into account. The survey results serve as the basis for developing new further-training offerings. New programmes are set to be launched in 2022.

Establishing a feedback and learning culture

The significance of training and education for the employees is enshrined in the Business Principles ("Professional development") and expanded on in the HR strategy. 89 % of the employees have an appraisal of their skill and knowledge development with their executive at least once a year, while 68 % have such an appraisal at least once every six months. Our objective is to establish a growth- and solution-oriented feedback culture as a culture of learning which promotes further development and is motivational.

The topics of professional development, lifelong learning and safeguarding employability are regularly the subject of our collective bargaining with the employee representation bodies.

Dialogue between executives and employees is supported by means of various feedback initiatives, including a feedback guide. The Telefónica Deutschland Group recommends that executives and employees meet for a feedback discussion regarding performance and development at least once per quarter. To introduce greater structure, uniform rules and obligation to this dialogue, the Telefónica Deutschland Group entered into negotiations with the competent works council body in the year under review regarding the introduction of a performance management process.

Holistic health policy as the bedrock

We are building on our integrated occupational health and safety management system as derived from a holistic health policy with the following objectives:

- Preventing work accidents and work-related illness
- Promoting the health of our employees through targeted measures
- Increasing work satisfaction and dedication
- Promoting constructive and respectful cooperation

The "Integrated occupational safety and health management manual", which applies to all the employees of the Telefónica Deutschland Group, serves as the basis here. Our manual serves as the implementation framework for a holistic health policy and describes the responsibilities, processes and rules required for occupational health and safety management for all those involved in this area. The aim is to achieve the health policy targets set by the Management Board by means of a uniform, consistent and sustainable management system. The management system applies to all Telefónica Deutschland Group companies and their bodies, executives and employees. The management system and the manual are based on the DIN EN ISO 45001:2016 certification standard. Based on our Health & Safety Annex, which governs the occupational health and safety demands made on our suppliers, service providers and other contractual partners, the standards to be observed are defined that likewise apply to the employers of our external workers who are not employees of the Telefónica Deutschland Group whose work and/or workplaces are controlled by the Telefónica Deutschland Group. The same applies to the delivery of products or services. The Health & Safety Annex is attached to each contract.

We further developed our occupational health and safety KPI system in the reporting year and translated it to a digital dashboard. This allows us to better track the requirements for the employees' working world that result from the pandemic, the new HR strategy and the 5 Bold Moves. Health management can therefore now be implemented more efficiently and improved in terms of quality.

The Telefónica Deutschland Group is bound by the provisions of Germany's occupational health and safety legislation as well as other statutory prerequisites and the country's occupational insurance scheme requirements. Overall responsibility for implementation is borne by the Management Board or the management of the company in question together with the executives. The Integrity Services division regularly reports to the Management Board on the latest developments in the area of occupational health and safety.

To create and maintain safe and healthy workplaces, we perform physical and mental risk assessments as health and safety law requires and act on the basis of nationally standardised guidelines. These assessments cover all accident and health risks related to the workplace. Potential hazards are identified in the course of risk assessments and appropriate measures are then introduced. This above all serves to minimise the risk of accidents and preserve the health of the employees[1] in offices, in the shops and at the technical sites. Accident evaluation is the responsibility of each company's occupational health and safety committee. Our register of hazardous substances is part of the ISO 14001 documentation and is examined and reviewed annually by an external body as part of the monitoring audit.[2]

We also perform regular occupational health and safety audits such as reviewing the management systems in the course of recertification in accordance with the ISO 9001, 14001 and 50001 standards. In the external audit for our participation in the Corporate Health Award, we were awarded the "Excellence" certification mark for the fourth consecutive time since 2018. To further improve our employees' safety awareness, we conduct regular training and instruction. This includes web-based training on the topics of general occupational safety in the offices and shops, fire safety and work conducted at height.

A quarterly company-wide health forum whose attendance is made up of employer and employee representatives as well as other internal stakeholders is additionally held by Corporate Health Management. As a strategic body, it deals with the

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[1] In addition to the measures pursuant to the register of hazardous substances, external workers who are not employees of the Telefónica Deutschland Group are also to observe our instructions regarding the handling of hazardous substances.

[2] As there are no especially hazardous substances in the register (these being almost exclusively cleaning agents) and those in the register are stored and dispensed by specially instructed service providers rather than employees of the Telefónica Deutschland Group (with instruction in handling these likewise being the responsibility of the service providers), we do not publish this list.

GRI Management approach: Employment
(103-2; 103-3); Occupational health
and safety (103-2; 103-3);
GRI 102-43; 403-1; 403-3; 403-4; 403-5;
403-6; 404-1; 404-2; 404-3

UNGC-Principles 3, 6

planning and management of health issues as well as implementation of the health policy throughout the Group. The proportion of the total workforce represented in occupational safety committees and bodies is 100 %. The health forum also serves as a platform for sharing information and for inspiration and advice. Agreements with the social partners (works council) are covered by formal written internal agreements dealing with health and safety topics.

STRATEGIC PRIORITIES
Teaching digital skills and providing resilience training

We launched the Digital Basics Learning Journey in mid-2021 as a way of equipping all the employees with basic digital skills. This comprises seven interactive modules on topics which are becoming more and more relevant with regard to digital transformation, from data-driven work and the basics of the Internet of Things to ethical issues that go hand in hand with digitalisation. The learning programme's summaries and recordings allow the content to be used at any time and according to how it suits people's day-to-day work. The aim is for the entire workforce to be afforded access to learning content in this way. Each of the live sessions had around 1,000 participants, with the recordings and summaries subsequently being watched by additional employees. The programme had reached 3,072 employees by the end of 2021.

Since 2020 the Telefónica Deutschland Group has been using the BEYOND initiative as a platform based on artificial intelligence which brings suitable development options within the company to the attention of the employees on the basis of their skill profiles. These may be, for example, vacancies, job rotations or project assignments. This is our way of encouraging our employees to be open to adopting different perspectives again and again and to grow with the new responsibilities

that come about due to permanent role changes. The initiative promotes the employees' willingness to be internally mobile – we were able to fill more than 50 % of vacancies internally in the reporting year (2020: more than 43 %) and there were 79 job rotations, in spite of the platform only being available at Telefónica Germany GmbH & Co. OHG up to now. BEYOND also features "learning journeys" regarding selected, strategically relevant and future-oriented skills. We added new training to the Data Analytics & Science learning journey in 2021.

We initiated what is known as an agile learning journey in the Technology team in the year under review to consolidate the employees' existing skills and teach them new agile skills. Agile ways of working should help us achieve customer-oriented results, be better at responding to the changing market requirements and establish a culture of continuous improvement. The programme comprises learning formats along three different paths – there are self-learning, deepening and expert formats. The latter path includes certified further development to become a scrum master or product owner. There are plans for the agile learning journey to be rolled out in other divisions in 2022.

We also offered the Women in Data grant in the reporting year to promote further training in digital future-oriented skills across the divisions too (more information in the "Designing the work environment" chapter).

Strengthening executives and promoting up-and-coming talent

The leadership journeys are a way of making a targeted investment in our executives in order to strengthen them in their role as the drivers of change, efficiency and engagement and to make ongoing further development available to them too. Other supportive measures for executives in 2021 included individual coaching and team work-

shops together with professional trainers. Specific coaching offered here included individual training in conducting talks skilfully and sensitisation to and assistance with employees joining and leaving the company.

In October 2021 the executives met in person again for the first time since the beginning of the pandemic. The three-day Senior Leadership Offsite event, which was also attended by the Management Board, focused on the participants' further development. Support was provided by an external HR consultancy, a consultancy specialising in purpose and external speakers and coaches.

We also performed development audits for all the Management Board members and members of the senior leadership team together with an external consultancy in 2021. The aim of the development audits was to make objective feedback available, including with regard to the market, and form tailored development plans. Audits for members of the extended leadership team were additionally initiated in September 2021. These will continue in 2022.

Our new Telefónica Digital Transformation Programme for young experienced talent was launched in early 2021. This focuses on skills in the data, technology and commercial areas. These qualification profiles are of major strategic and interdivisional importance to our company. The young professionals' stations include project assignments and job rotations within various divisions as well as at our Wayra innovation laboratory. They are mentored by someone at the Management Board or directorship level. Chief Executive Officer Markus Haas and Chief Human Resources Officer Nicole Gerhardt personally assume the role of programme sponsors.

We further expanded what we offer our trainees and dual-studies students. We were able to record 49 new recruits in 2021. We also offer interns

GRI Management approach: Employment
(103-2; 103-3); Occupational health
and safety (103-2; 103-3);
GRI 102-43; 403-1; 403-3; 403-4; 403-5;
403-6; 404-1; 404-2; 404-3

UNGC-Principles 3, 6

and working students the opportunity to make a success of their subsequent career starts by giving them initial insights into the business environment. We achieved a retention rate of 71 % among our trainees in 2021. The year-on-year drop is due to the fact that many trainees chose other options in spite of being told they would be retained, for example choosing to study instead. We will endeavour to increase the takeover rate for trainees to 90 % in 2022.

Duty of health care under pandemic conditions

In view of the ongoing COVID-19 pandemic, we attached particular importance to our duty of care regarding our employees' health in 2021 too and once again effected a variety of measures as part of our health management to deal with this challenge appropriately. The infection protection plans we developed remained in place. We also performed assessments to determine whether these protective measures were being observed. To protect our employees from the negative consequences of a COVID-19 infection and contain the spread of the virus, we offered vaccinations at our sites in summer 2021.

As part of a risk assessment, we surveyed our employees from spring to early summer 2021 on the topic of psychological stress caused by COVID-19. In a survey conducted in May 2021 we asked executives to give an estimation of the additional health promotion measures they thought were needed in their teams and say which offerings they wanted to see expanded. The topics most frequently cited were work-life balance as well as stress and resilience – both as identified needs and as the offerings they wanted to see expanded.

With the digital programmes StayFit4You and StayFit@Home, we provided the employees with a variety of offerings in 2021 to get them moving, encourage them to eat healthily, break down stress and overloading, and increase their resilience. There was a focus in particular on the preservation of health when working from home. The online offerings in the form of motivational speeches, Deep Dive Workshops, interviews with affected individuals and fitness specials were mostly recorded, meaning the employees could retrieve the content from anywhere and at any time via an online media library. In our B2Mission in June 2021 397 employees rose to a sporting challenge in the form of running, walking, hiking or cycling and spent four weeks collecting points for our Telefónica team. We came second, with a distance of 72,113 kilometres covered.

As part of a health campaign launched in the reporting year, we offered Telefónica Deutschland Group executives innovative mental training in order to enhance their mental health. In a second step, the executives will be able to present the programme to their teams in an adapted form in 2022.

We were able to massively increase the reach of our health promotion offerings thanks to digital solutions relating to, for example, instruction, training and occupational medicine. In terms of work-life balance, the assistance we provided included virtual advice in the areas of life situation coaching, childcare and care for the elderly.

We were presented with the Corporate Health Award in December 2021 for our outstanding achievements in the area of occupational health management. We took first place in the information and communication technology sector. In addition to a voluntary disclosure made by the company and selection by a jury of experts, this recognition is based on the corporate health audit – a status analysis of the occupational health management at the applicant's premises. A panel of high-ranking experts thoroughly inspects and analyses the audit results and then selects the top companies in 15 categories. A total of 354 companies, authorities and institutions put themselves forward for Germany's most important award for occupational health management.

Optimising energy efficiency and the use of resources

Net zero carbon emissions by 2025 (Scopes 1 and 2)

Energy and CO_2

Circular economy
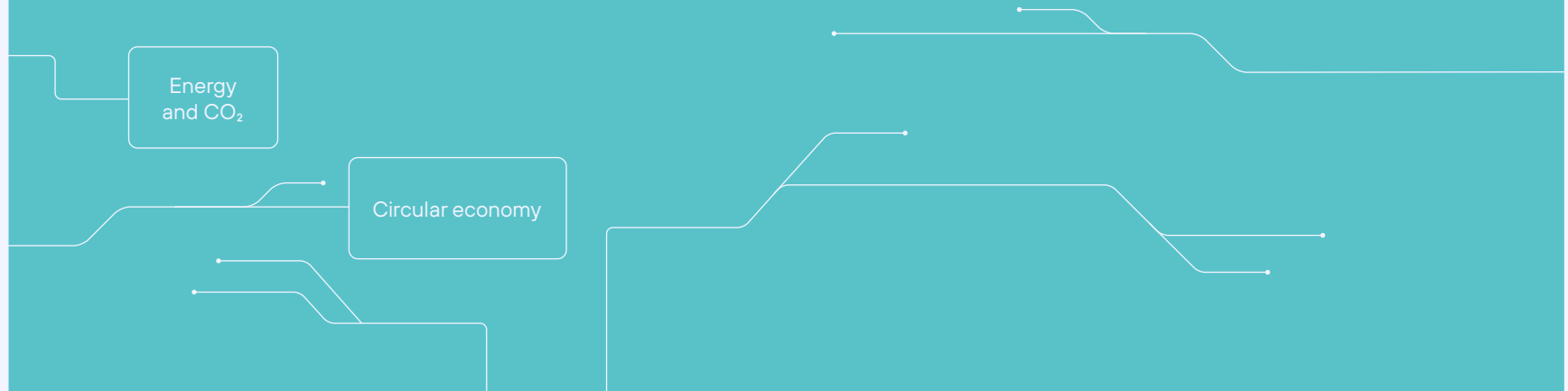
Mission for 2025

We will offer our customers the greenest network.

100 %
of our electricity is sourced from renewable energies

100 %
Eco Rating-assessed mobile phones from the manufacturers who have signed up to the initiative

Energy and CO$_2$

Commitment

We will use the options offered by digitalisation in all areas to reduce energy consumption and avoid carbon emissions.

Our achievements

We succeeded in reducing our company's carbon emissions by 77 % in 2021. We emitted just 6,266 tonnes of CO$_2$ in 2021 compared with 26,720 tonnes in 2020. We achieved this above all by completely transitioning to electricity from renewable sources. We were able to lower energy consumption per data volume by 78 % compared with the reference year 2015. In 2020 this figure was still at 71 %. A total of around 17,600 sites featured a smart meter at the end of 2021. Energy consumption can now be managed better there thanks to real-time data.

97 %
carbon reduction compared to the base year 2015 (Scopes 1 and 2)

78 %
less energy consumption per data volume compared to 2015

Focus SDGs
With the further development of our mobile communications network – which is run on renewable energies – we are contributing to the development of a future-proof energy supply. We are developing solutions that optimise energy consumption and the use of resources, lower emissions and make safe mobility possible. As such, we are contributing to combating climate change and its impacts.

| 7 AFFORDABLE AND CLEAN ENERGY | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION |

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
Climate and resource protection

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.

Corporate Digital Responsibility Initiative

GRI Management approach: Energy (103-2; 103-3); Emissions (103-2; 103-3); Environmental Compliance (103-2; 103-3); GRI 102-11; 102-13; 102-15; 102-31; 302-1; 303-3; 302-4; 302-5

UNGC-Principles 7, 8, 9

Clear commitment to energy and CO₂ reduction

BASIC PRINCIPLE AND CHALLENGES
Digitalisation as a climate protection opportunity

According to a Bitkom study,[1] digital technologies can reduce carbon emissions in Germany by a fifth as digitalisation accelerates, thereby helping to achieve the national climate targets. This is potential that needs to be exploited in particular in the areas of energy infrastructure, mobility, industry and agriculture. The telecommunications industry can play a key part in combating climate change and in the decarbonisation of the economy. For example, the energy sector cannot successfully manage the energy transition without digitalisation. Electricity grid operators and energy utilities are having to increasingly oversee decentralised renewable energy sources and manage current flows. Only when the electricity grids are connected to telecommunication services do they become smart grids that allow electricity generation and consumption to be managed efficiently.

However, the increase in the volume of data transmitted via the networks as part of this ongoing digitalisation requires additional electricity, which in turn influences the environment and climate. At around 97%, network technology accounted for the largest share of electricity consumption at the Telefónica Deutschland Group in the reporting year. Telecommunications companies therefore need to make their networks and data centres more compatible with climate protection by boosting their energy efficiency.

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. The industry is therefore implementing a variety of measures to combat climate change and its impacts. The Telefónica Deutschland Group's Spanish parent company has committed itself to joining the United Nations in combating climate change and has to this end formulated energy and climate targets for the years 2025, 2030 and 2040 which are based on the 1.5°C scenario of the Paris Agreement and were validated by the Science Based Targets initiative (SBTi).

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.

Within the Telefónica, S.A. Group, handling climate change has already been integrated into the areas of corporate governance, strategy, risks and goals. Already, 79.4% of the electricity used by the Telefónica Group globally comes from renewable sources, while for Germany it is already at 100%. The Telefónica, S.A. Group has set its sights on achieving net zero carbon emissions in the four main markets Spain, the UK, Germany and Brazil by 2025[2]. Brazil already achieved this target in 2020. The Telefónica, S.A. Group discloses its environmental and climate data annually

in the CDP report and was awarded the top mark of A by the organisation for the eighth consecutive year in the year under review for its achievements here. Among other things, it assesses transparency regarding emission reductions and the lowering of climate risks.

In view of our impacts on the environment and climate and the business relevance of climate protection, we consider this to be a material topic in our sustainability strategy. 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. With the help of our infrastructure and services, businesses and people can realise their sustainable digital business models and thus conserve the environment.

[1] Bitkom study "Climate Impacts of Digitalization", March 2021
[2] We use the term "net zero carbon emissions" as we are focusing our reduction on carbon. We nevertheless include not only carbon dioxide (CO₂) in our calculations, but also the other greenhouse gases (methane (CH₄), nitrous oxide (N₂O) and refrigerant gases which are relevant to the climate (F-gases)) and use CO₂ equivalents for this. A detailed description of our net zero carbon emissions can be found here.

GRI Management approach: Energy (103-2;
103-3); Emissions (103-2; 103-3);
Environmental Compliance (103-2; 103-3);
GRI 102-11; 102-13; 102-15; 102-31; 302-1;
303-3; 302-4; 302-5; 305-1; 305-2; 305-3;
305-5

UNGC-Principles 7, 8, 9

Target of net zero carbon emissions[1] by 2025

The assumption of responsibility for the environment is a basic principle of the Telefónica Deutschland Group. It is at the very heart of our climate strategy, with which we align ourselves closely with the Group-wide commitment – we have set ourselves the target of net zero carbon emissions by 2025. What this means in concrete terms is that we will no longer be causing any greenhouse gas (GHG) emissions as a company by 2025 at the latest. In addition to carbon dioxide (CO_2), this will also cover the greenhouse gases methane (CH_4) and nitrous oxide (N_2O) as well as the refrigerant gases which are relevant to the climate (F-gases). We will additionally neutralise the emissions that cannot be avoided and invest in certified climate protection projects with high environmental and social standards ("nature-based solutions").

Our target of net zero carbon emissions by 2025 relates to Scope 1 and 2 emissions as well as emissions caused by our travel activities. The Telefónica Deutschland Group intends to reduce its GHG emissions throughout the value chain (Scope 3)

to net zero by 2040. We will evaluate the Scope 3 emissions caused throughout the Telefónica, S.A. Group, for example in the supply chain, in a coordinated manner and will implement measures and reduce these emissions. The Group's target here is to reduce its carbon emissions by 39 % by 2025 (base year: 2015). As such, we are following the findings and recommendations of recognised international institutions such as the Intergovernmental Panel on Climate Change (IPCC) and the Science Based Targets initiative (SBTi) whose criteria we drew on to develop our climate strategy. To achieve net zero carbon emissions by 2025 we are implementing the following concrete measures, which are determined annually and underpinned by interim goals:

- Network efficiency increase based on a reduction in energy consumption per data volume (GWh/PB) of 87 % by 2025 in comparison to 2015
- We are seeking to improve our green electricity sourcing on the basis of power purchase agreements and electricity we generate ourselves in order to promote the expansion of renewable energies.

- Total electricity consumption is already covered entirely by green electricity.
- We are using IoT-based building services in our data centres for consumption forecasts and energy footprint optimisations.
- Optimisation of our antenna sites' energy consumption is being facilitated with the installation of digital smart meters.
- Promoting virtual work in the company reduces carbon emissions because the employees then commute to work less and have less business travel.
- Emissions which are unavoidable have been neutralised by high-quality carbon reduction projects gradually since 2021, preferably projects that remove carbon from the atmosphere.

The Telefónica Deutschland Group caused 6,266 tonnes of carbon emissions in 2021 going by the market-based method[2] (2020: 26,720 tonnes). This decrease is due first and foremost to 100 % of the electricity we source indirectly now coming from renewable energy sources too. The direct and indirect carbon emission figures (Scopes 1, 2 and 3) can be found in the table of key figures.

We are expecting to see a significant increase in total energy consumption due to our network being expanded to include 5G, thus resulting in greater network coverage, data volumes and speed. This presents us with some major challenges. However, energy efficiency is being boosted by the fact that the 5G network operates more efficiently than the preceding technologies. The "energy consumption per data volume (GWh/PB)" performance indicator selected by us allows us to optimally measure and document our progress in the area of energy efficiency.

Our target of net zero CO_2 emissions

	Unit	2025 target	2021
CO_2 reduction[1]	%	95	97
Energy efficiency[2]	%	87[3]	78

[1] Scope 1 and 2, base year 2015 (market-based method)
[2] Energy data, base year 2015
[3] The target was raised from 82 % to 87 % in 2021.

[1] We use the term "net zero carbon emissions" as we are focusing our reduction on carbon. We nevertheless include not only carbon dioxide (CO_2) in our calculations, but also the other greenhouse gases (methane (CH_4), nitrous oxide (N_2O) and refrigerant gases which are relevant to the climate (F-gases)) and use CO_2 equivalents for this. A detailed description of our net zero carbon emissions can be found here.
[2] For carbon emissions (Scopes 1 and 2), this means a reduction of 97 % to 5,950 tonnes based on the same method, compared with 175,300 tonnes in the base year, 2015.

Our target: climate neutrality by 2025
An extract of our measures

Renewable energies
100 % electricity from renewable energies, with higher green power quality and increasing energy efficiency

Smart meters
Digital electricity meters are read remotely at any time and make electricity-consuming faults at mobile sites more transparent.

Data centres
Building control technology based on the IoT enables energy consumption forecasts and optimisations. Recooling via outside air and and self-generation of electricity improve the energy balance.

Optimise energy efficiency

5G energy efficiency
Mobile communications become more and more energy-efficient. 5G consumes up to 90 % less energy per byte than previous generations.

Workplace
Workplace sharing and virtual collaboration increase energy efficiency and reduce CO_2 emissions.

By 2025

Neutralise CO_2 emissions

Neutralise CO_2 emissions
Investment in certified climate protection projects with high ecological and social standards ("nature-based solutions") to offset non-avoidable CO_2 emissions.

GRI Management approach: Energy (103-2;
103-3); Emissions (103-2; 103-3);
Environmental Compliance (103-2; 103-3);
GRI 102-11; 102-13; 102-15; 102-31; 102-48;
201-2

UNGC-Principles 7, 8, 9

Our company has set itself the goal of significantly increasing its network power efficiency with the very latest mobile communications standard and technical modernisations: in other words, of continuously reducing the electricity consumed per byte. In this way, we are striving to be a sustainability trailblazer in Germany's telecommunications industry. Here, we aspire to offer our customers the "greenest" network in the future.

Climate protection is relevant to business success

With our target of net zero carbon emissions by 2025 at the latest, we want not only to improve our environmental footprint, but also to do business sustainably and safeguard our ability to compete. By doing this, we hope to achieve effective risk prevention, a strong reputation, profound brand perception, and high scores for the company in financial market ratings. Climate change and its effects, such as the possibility of more frequent extreme weather events, also entail concrete risks with regard to our mobile communications infrastructure – the floods in western Germany in 2021 resulted in power outages and a number of our systems were affected too. We were able to get them back up and running quickly using emergency generators. Preventive and reactive emergency management is in place for all of Germany's mobile communications networks in the event of power outages and other disaster scenarios in order to maintain the basic supply of mobile communications. Efficient and interconnected technology such as that at our network sites which are equipped with smart meters uses predictive maintenance to reduce the risk of facilities failing and therefore the costs related to this.

The aim of standardised and transparent reporting on climate risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) 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 wish to take the risks and opportunities that the impacts of climate change entail for our business model too 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.

PROCESSES AND MANAGEMENT
Management systems anchored in the company

In addition to our 2025 climate strategy, our binding company-wide Environmental Policy ↗ serves as the basis for all activities and is further supported by the Sustainable Energy Management Policy ↗. Both of these are 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. We have enshrined other requirements in the area of the climate and the environment in internal guidelines such as our sustainability-oriented purchasing guidelines, our waste guidelines and our travel guidelines. We additionally offer our employees online energy and environmental training. We aim to achieve our goal of improving 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 2025.

We have also established our own energy guidelines in the company in accordance with ISO 50001 ↗. The first certification in accordance with this standard was performed by an external certification body in 2016. The guidelines are based on our environmental management system and specify its principles in the area of energy. 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. 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. In cooperation with the Quality Management Officer, the officers report on the management systems directly to the Chief Executive Officer. Climate and environmental strategies are developed in the relevant Management Board divisions Technology, Finance, and Legal and Corporate Affairs and are adopted collectively by the Management Board.

The Telefónica Deutschland Group's relevant departments report on their climate topics, including climate-related risks, to the general risk management unit on a quarterly basis. The company 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.

GRI Management approach: Energy (103-2; 103-3); Emissions (103-2; 103-3); Environmental Compliance (103-2; 103-3); GRI 102-11; 102-13; 102-15; 102-31; 102-48; 201-2

UNGC-Principles 7, 8, 9

STRATEGIC PRIORITIES
Evaluating the risks and opportunities related to climate change

We are placing energy efficiency and carbon reduction at the heart of our climate strategy and want to contribute in this way to the sustainable digitalisation of the economy and society. In accordance with the TCFD recommendations, we initiated a scenario analysis for the Telefónica Deutschland Group in the year under review to lay the foundations for our own reporting in line with the TCFD criteria, establish a strategic concept for the resilience of the corporate processes and the business model, and integrate risk management. Our scenario analysis includes estimating the scope of physical risks and considering transition risks. In the case of physical risks, their probability and the impacts that both gradual climate changes and extreme climate events might have on our infrastructures and our operations are determined. 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. Two medium- and long-term carbon concentration scenarios are applied to the analysis of climate risks. These are the Representative Concentration Pathways (RCP) 2.6 and 8.5 of the UN's Intergovernmental Panel on Climate Change (IPCC).

Using a global risk management model, the Telefónica, S.A. Group analyses the potential risks and opportunities resulting from the forecast climate impacts. 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.

As well as the reported risks, we recognise opportunities both for our internal energy management and for the company's growth based on the sale of low-emission products and services. The plan regarding renewable energies offers internal opportunities for the Group to use its own energy generation capacities and long-term power purchase agreements, as does the plan for energy efficiency, which focuses on network modernisation and the expansion of 4G and 5G. These measures should reduce the company's operating costs in the medium to long term.

Improving energy efficiency and lowering carbon emissions

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.

Energy consumption per data volume totalled 0.09 GWh/PB in 2021. We were therefore able to reduce consumption by 78 % in comparison to the reference year 2015. In the previous year, this figure was still at 71 %. To maintain this level of ambition, we raised our energy efficiency target for 2025 from 82 % to 87 % in the year under review.

In 2021 we achieved a historically low level of Scope 1 and 2 emissions, these being well below the forecasts due to COVID-19. We expect to see a slight increase in Scope 1 emissions following cessation of the pandemic measures due to the recovery of business activities.

We have had 100 % green electricity sourcing at all of our sites since 2021, including at sites that we use jointly with others. This means there is scarcely any potential for Scope 2 emissions to be reduced further. To nevertheless generate positive effects, we will source some of our electricity through power purchase agreements (PPAs) by 2024 at the latest. An invitation to tender is already ongoing in this regard. In a pilot project, we are currently testing the use of photovoltaic systems at selected antenna sites in order to make our own contribution to renewable energy generation. The first systems are now being trialled.

We were able to switch off the 3G network much earlier than planned in the climate strategy. This removed some of our old energy-intensive technology from the network. The key factors contributing to boosting power efficiency were the expansion of 5G and 4G as a result of 3G deactivation and modernisation of the data centres. 5G consumes up to 90 % less electricity[1] per data volume than the previous generations.

More than 17,000 3G sites had been definitively decommissioned by the beginning of December 2021. As well as 4G, the company is rapidly expanding 5G and managed to provide around 30 % of the population with 5G in this way by the end of the year under review. There are targets set of more than 50 % by the end of 2022 and the whole of Germany in 2025.

[1] Source: "Energie- und Ressourceneffizienz digitaler Infrastrukturen. Ergebnisse des Forschungsprojektes „Green Cloud-Computing"" (Energy and resource efficiency of digital infrastructures. Results of the Green Cloud-Computing research project) study commissioned by the German Environment Agency (UBA), September 2020

Opportunities and risks of climate change

Climate change risks

Transition	Physical

Regulatory	**Technological**	**Market**	**Reputational**	**Chronic**	**Temporary**
Increase in the price of certain products and services as a result of taxes or levies on sectors on which we are dependent (energy, transport, etc.)	Need for early withdrawal of assets linked to HVAC or for energy transition to clean energy	Increased energy opex, for example, in countries dependent on hydropower	More information on this subject from major stakeholders (investors, analysts, customers, etc.)	Higher temperatures could entail greater cooling needs.	More extreme weather events would increase the business continuity risks.

The physical risks have been analysed in detail by the Telefónica, S.A. Group in a climate vulnerability study.

Climate change opportunities

Resource efficiency	**Eco smart products and services**	**Energy sources**	**Resilience**
Through our Energy Efficiency Plan we are optimising our operating and network costs.	Our connectivity and digitalisation solutions are key for decarbonising other sectors and will allow us to access new business opportunities.	Our Renewable Energy Plan enables us to reduce carbon emissions and the energy costs of our network.	Our adaptation strategy allows us to incorporate risks and opportunities into the company's strategy, influencing our investment decisions, modernisation and network deployment.

GRI Management approach: Energy (103-2;
103-3); Emissions (103-2; 103-3);
Environmental Compliance (103-2; 103-3);
GRI 102-11; 102-13; 102-15; 102-31; 302-1;
303-3; 302-4; 302-5

UNGC-Principles 7, 8, 9

Power efficiency is also being improved by means of ongoing modernisation, software updates, the use of smart meters in the O_2 network and the new "all-in-one" mobile communications antenna that supports all frequency bands and mobile communications standards (see the "Network quality and coverage" chapter).

We also see huge potential in the area of data centre virtualisation as the efficiency of data centres is dependent among other things on their capacity utilisation and the possibilities of using the waste heat. We are seeing a shift from Scope 2 to Scope 3 emissions in this area due to greater use of cloud services and the resultant switch to external providers. We have set ourselves the clear goal of collaborating solely with efficient cloud service providers that at least use green electricity in order not to increase our emissions in this way. We will develop concrete criteria for this in 2022. Migration to the cloud additionally offers us advantages in terms of scalability and the resource-conserving use of computing capacity.

Scope 3 emissions are likewise of significance to us. We have therefore been reporting our Scope 3.6 (business travel) emissions for many years and include these in our neutralisation strategy. For more information, see the "Lowering emissions for company mobility" section. Our other material Scope 3 emission categories are purchased goods and services, capital goods, fuel- and energy-related emissions, and use of the products sold.

We have a target of reducing our Scope 3 emissions by 39 % between the reference year 2016 and 2025. Net zero carbon emissions are to be achieved here too by 2040.

The Management Board of the Telefónica Deutschland Group approved the budget for a new carbon fund in 2021. From mid-2022 employees can apply for funds with which to implement power efficiency projects within the company. Project funding will be based on the projects' degree of innovation and feasibility. Questions concerning their short-term profitability will only be given secondary consideration.

Energy and CO_2: climate targets

	Unit	**2021**	2020	2019
Energy intensity: total energy consumption per data volume	GWh/PB	**0.09**	0.12	0.17
Proportion of total electricity consumption from renewable energy sources[1]	%	**100**	96	84
Proportion of green electricity in own procured and controlled energy	%	**100**	100	100

[1] Energy from renewable energy sources consists of direct purchases and electricity purchases certified with guarantees of origin. Since 2020 the calculation of the energy from renewable energy sources has included green power from grid and IT infrastructure used jointly with other companies in addition to the amount of green power purchased by the Telefónica Deutschland Group.

Energy and CO_2: energy consumption

In GWh	**2021**	2020	2019
Total energy consumption	**755**	736	727
Total electricity consumption[1]	**732**	710	696
of which by the network and data centres[2]	**711**	686	668
of which by offices, shops, call centres	**21**	24	28
Total fuel consumption[3]	**23**	26	31
Energy from renewable energy sources[4]	**732**	679	584

[1] The figure for electricity consumption equals the volumes actually billed per electricity consumption point and, in some cases, forecasts of the volumes consumed.
[2] 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. In the future, the values actually measured by smart meters will replace the statistically collected values.
[3] 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.
[4] Energy from renewable energy sources consists of direct purchases and electricity purchases certified with guarantees of origin. Since 2020 the calculation of the energy from renewable energy sources has included green power from grid and IT infrastructure used jointly with other companies in addition to the amount of green power purchased by the Telefónica Deutschland Group.

GRI 305-2; 305-3; 305-5

UNGC-Principles 7, 8, 9

Smart metering as the key to efficient network technology

The network technology is responsible for approximately 97 % of the company's power consumption. The power consumed by the network is already measured by smart metering systems at many of the sites. The power consumption of every mobile network installation equipped with a smart meter is recorded every second and is transmitted to a cloud server by an Internet of Things radio unit via the O_2 network. Subsequently, the power consumption of all the sites is to be analysed on the basis of alerts when thresholds are exceeded, thus allowing for predictive maintenance and facilitating the early identification of malfunctions.

With smart metering, the company is taking another step towards greater energy efficiency as energy consumption can be managed better with real-time data. This also brings us closer to achieving our goal of reducing net carbon emissions to zero. A target had been set of equipping 27,000 sites with smart meters by the end of the reporting year. The chip shortage triggered by the coronavirus pandemic meant this target could not be achieved. A total of 17,596 sites featured a smart meter at the end of 2021.

Lowering emissions for company mobility

The pandemic meant that travel activities were again significantly lower in the reporting year than in the years prior to the pandemic, in spite of a slight increase in travel in the second half of 2021. In comparison to 2019, the last year not impacted by the pandemic, 92.8 % fewer kilometres for flights and 90.9 % fewer for rail travel were recorded in the year under review.

However, the figure for other indirect emissions due to business travel (flights and rail travel) is only of limited meaningfulness when compared with the pre-pandemic years. The company is nevertheless still aiming to reduce the number of business trips taken by our employees between national and international Telefónica sites by 70 % in comparison to 2019. This relates to internal meetings and workshops. With the key initiatives of our HR strategy, 5 Bold Moves, we want to help our employees to work together virtually wherever this is possible and wise. More information on 5 Bold Moves can be found in the "Designing the work environment" chapter.

We use our travel guidelines to promote a switch to rail travel. We want to gradually transition our company cars from hybrid to electric drives. Our fleet is to be 50 % partly electrified by the end of 2022. In addition to a fuel card, all e-vehicles come with a charging card. 20 charging points have now been installed and are active at the Munich and Düsseldorf sites. The average carbon value[1] of company cars newly registered in 2021 was 51 g CO_2/km (2020: 71 g CO_2/km).

The Telefónica Deutschland Group makes it possible for the employees to improve their personal environmental footprint with modern workplace design. By increasingly working from home and using videoconferences, they are contributing to a reduction in traffic volumes and the corresponding pollutant emissions.

Energy-efficient site operation

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. To this end, we are applying modern workspace sharing concepts at the O_2 Tower in Munich and other sites, 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.

The optimisation of our office space is likewise resulting in additional office building efficiency increases. With retroactive effect from 1 January 2021 the Potsdam business was transferred to TFS Potsdam GmbH. The companies TGCS Essen & Potsdam GmbH and TGCS Berlin GmbH were subsequently sold to an external buyer, Transcom WorldWide GmbH. With this sale, the Telefónica Deutschland Group reduced the number of its own call centres from seven to five. In addition, the Nuremberg site will be renovated in 2022 with the rented space likewise being adapted in the course of this.

[1] Calculated on the basis of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP)

GRI Management approach: Energy (103-2;
103-3); Emissions (103-2; 103-3);
Environmental Compliance (103-2; 103-3);
GRI 102-11; 102-13; 102-15; 102-31; 305-1;
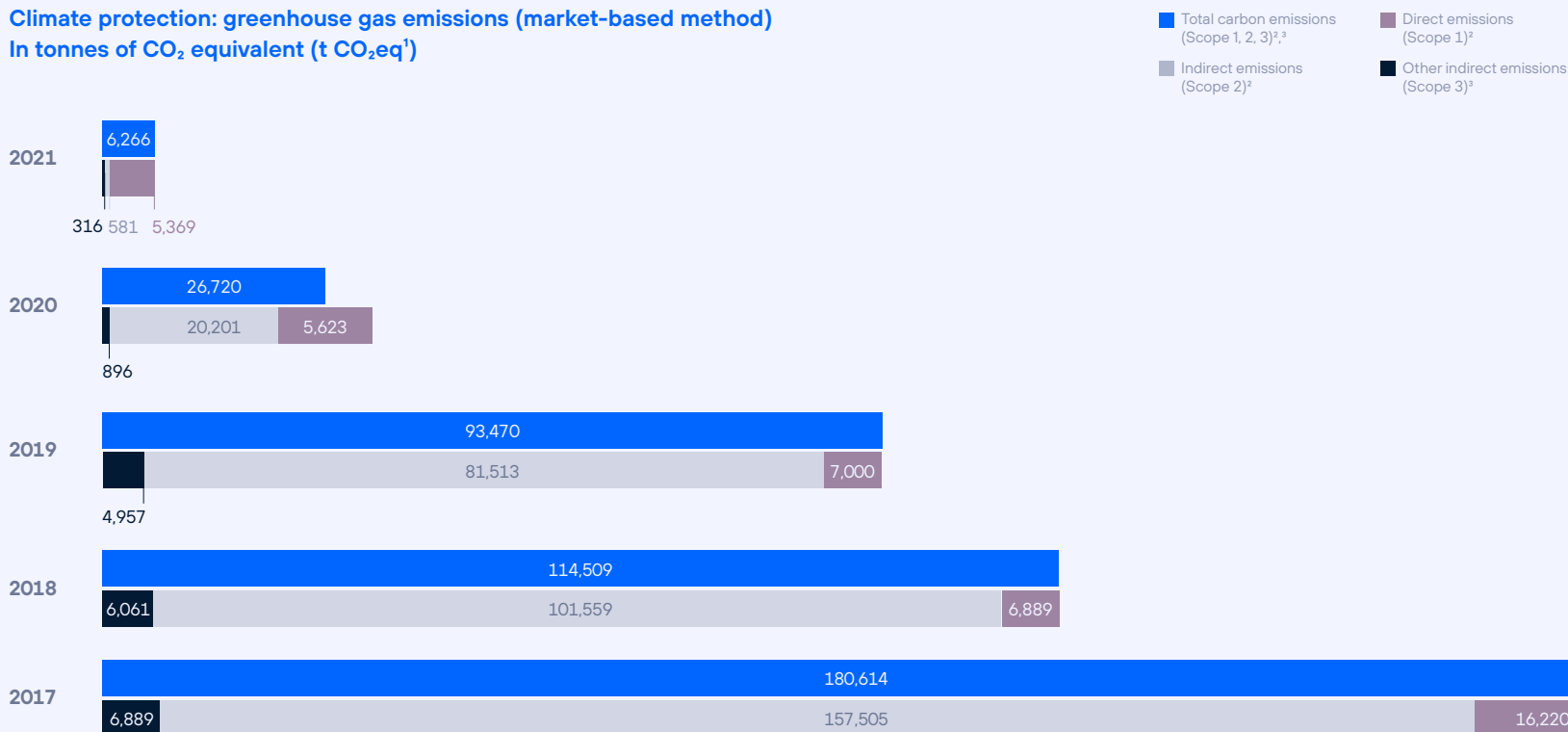305-2; 305-3; 305-5

UNGC-Principles 7, 8, 9

Offsetting of unavoidable emissions

Unavoidable emissions will still ultimately be caused in spite of 100 % green electricity usage, more sustainable green electricity procurement, high energy efficiency targets, network optimisation, utilisation of the potential offered by green cloud service providers and similar measures.

For example, not all of the refrigerants used in our air conditioning systems can be replaced with carbon-free alternatives. We will neutralise the remaining emissions by purchasing carbon certificates. For projects to be eligible for these certificates, they must remove carbon from the atmosphere and also feature social components, as required by Gold Standard[1]. We will offset 20 %

of the residual emissions in 2021 and will increase this quota by 20 percentage points every year, resulting in 100 % of unavoidable emissions being neutralised by 2025.

Climate protection: greenhouse gas emissions (market-based method)
In tonnes of CO_2 equivalent (t CO_2eq[1])

Legend:
- Total carbon emissions (Scope 1, 2, 3)[2],[3]
- Indirect emissions (Scope 2)[2]
- Direct emissions (Scope 1)[2]
- Other indirect emissions (Scope 3)[3]

2021
6,266
316 581 5,369

2020
26,720
896
20,201 5,623

2019
93,470
4,957
81,513 7,000

2018
114,509
6,061 101,559 6,889

2017
180,614
6,889 157,505 16,220

[1] CO_2eq = CO_2, CH_4, N_2O and climate-relevant refrigerant gases (F-gases)
[2] Carbon emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. The data and calculations have been verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U. A standard Germany-wide conversion factor is used to convert electricity consumption into carbon emissions. For the market-based method, 588.83 g CO_2 per kWh is used. (Source: Association of Issuing Bodies (AIB), European residual mixes 2020). Information on the location-based method is shown in the table of key figures.
[3] Scope 3 emissions: other indirect emissions due to business travel (flights and rail travel). The emissions per km for flights and rail travel for the years 2018 to 2020 were calculated with emission factors applied Group-wide (source: UK government GHG conversion factors for company reporting, 2021). There are also other Scope 3 emissions not included here. The focus at Telefónica Deutschland Group is on business travel.

[1] Gold Standard is the world's most stringent standard for emission reduction projects which not only lower emissions of greenhouse gases, but also ensure sustainable development and feature an additional social and/or environmental component. Gold Standard was developed under the aegis of the WWF.

Circular economy

Commitment

We will align more and more aspects of our business activities with the principles of the circular economy.

Our achievements

With our new circular economy concept, we created a framework in 2021 within which we can henceforth optimally manage and further develop our measures. Our goal for 2022 is to realise improved waste management together with our service providers and the downstream disposal chains. In this way, we want to further improve our recycling rate in subsequent years. Together with other telecommunication companies, we established a new industry-wide Eco Rating for mobile phones.

95 %
of our total waste was disposed of for recycling

17.2 t
of plastic eliminated with the half-size SIM card carrier format

Focus SDGs
Our circular economy approach is based on the principles of reuse and recycling, the controlling of environmental criteria in the supply chain, the promotion of eco-design in product development and sustainable product offerings for our customers.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

UN Global Compact

■ Human rights
■ Labour
■ Environment
■ Anti-corruption

CDR Initiative

CDR field of action:
Climate and resource protection

We strengthen digital solutions to protect the environment and make our information and communication technologies environmentally friendly and resource-conserving.

Corporate Digital Responsibility Initiative

GRI Management approach: Waste (103-2;
103-3); Environmental Compliance (103-2;
103-3); GRI 102-11; 102-43; 102-48; 417-1

UNGC-Principles 7, 8, 9

Consistently implementing circular economy

BASIC PRINCIPLE AND CHALLENGES
Focusing on saving resources and avoiding waste

The finiteness of natural resources and the environmental impacts throughout a product's life cycle are examples of the major ecological challenges we currently face. They generate considerable pressure to act in the direction of resource efficiency, waste avoidance and circular economy – pressure which has already effected significant changes in the legal and political parameters. Regulation will increase further over the next few years. For example, the EU is planning to introduce an energy label for mobile devices and wishes to make a circular economy a greater priority in the Taxonomy Regulation.

A circular economy comprises not only management of waste and raw materials, but also relates to all the stages of the value chain, including the service lives of products. It is therefore a question of systemic transformation with the aim of closing loops and reducing the use of raw materials. The circular economy therefore also gives companies the opportunity to reduce their costs and offer the customers products and services which are produced sustainably and can be used as such. This boosts not only their ability to compete, but also their credibility as responsible stakeholders within society. We therefore use the comprehensive term "circular economy" and see this as going above and beyond the understanding of this as per the Circular Economy Act (KrWG), which essentially deals with management of waste and secondary raw materials.

In view of this, the Telefónica Deutschland Group has developed its own circular economy concept, which serves as the framework for the gearing of our activities. It is based on the principles of reuse and recycling, the controlling of environmental criteria in the supply chain, sustainable product offerings and the promotion of ecological design in product development. In the materiality process we conducted for the sustainability strategy in 2020, we identified the circular economy as a material topic and then developed a comprehensive concept in 2021. Our focus here is on the three company-specific areas of products and services, administration and shops, and network infrastructure and operation.

PROCESSES AND MANAGEMENT
Targeted management of resource efficiency

Waste avoidance is legally enshrined in the Circular Economy Act (KrWG) as the top priority within the waste hierarchy. There are also other laws featuring specific requirements to improve the recycling of electrical appliances such as mobile phones and tablets. In particular, the design of electrical appliances, placing them on the market and their correct disposal are regulated by an array of laws and EU regulations. There was a particular focus in the year under review on the tightening of labelling and take-back obligations in accordance with the Electrical and Electronic Equipment Act (ElektroG). There are also signs that the European Ecodesign Directive will be expanded to include mobile devices. For example, the EU is planning requirements regarding battery durability, guaranteed security updates and an energy label for mo-

bile devices. The promotion of the circular economy is also a key aspect of the European Union's Green Deal with its corresponding action plans, among other things regarding the electronics and IT sectors. The EU's Taxonomy Regulation attaches particular importance to a resource-efficient and circular economy and seeks to have a steering effect on investments and capital market activities.

Our environmental and energy policies, the aim of which is to conserve valuable resources and handle waste and recycling responsibly, are authoritative with regard to the fundamental orientation and management of the circular economy within the Telefónica Deutschland Group. For us, protecting natural resources is one of the most important areas we address with our environmental management system in accordance with ISO 14001. The Environmental Management Officer, who is a member of the CR&S division, reports to the CR&S Director and also directly to the Chief Officer for Legal and Corporate Affairs regarding measures and target attainment in the context of the RBP 2025. Annual management reviews regarding energy and environmental aspects in accordance with ISO standards 14001 and 50001 are discussed directly with the Chief Executive Officer and the Chief Officer for Legal and Corporate Affairs.

With our new circular economy concept, we created a framework in 2021 within which the existing activities will be developed further and managed going forward. Additionally, with the adoption of our new climate strategy and our target of causing net zero carbon emissions by 2025 we are sending a clear signal regarding the conservation of resources. The considered economical use of technical equipment conserves not only energy, but also resources.

GRI 102-11; 102-48

UNGC-Principles 7, 8, 9

Circular economy concept
Improved circular economy through
digitalisation

Circular economy

We are aligning more and more
aspects of our business activities with
principles of the circular economy:

Products & services
Administration & shops
Network infrastructure

REcycle

REduce

REuse

REpair

REfurbish

Internal eco-efficiency

Supplier relations

Internal eco-efficiency

Customer relations

Digitalised waste management with GReTel

Product range design in consideration of Eco-design criteria

Optimisation of material inputs in logistics (at our company and in the upstream supply chain)

Purchasing with circular criteria

Predictive maintenance, repairs and internal reuse through smart meters in the grid (savings in electricity and materials/raw materials)

Eco-efficiency Efficient use of resources at sites (incl. network)

Marketing for sustainable products & services

Development of **eco-smart services refurbishment**

(Further) development of circular business models

Recycling/responsible disposal (e.g. return and proper recycling of used appliances)

GRI Management approach:
Waste (103-2; 103-3); Environmental
Compliance (103-2; 103-3);
GRI 102-11; 102-43; 102-48; 301-3;
308-2; 417-1; 417-2

UNGC-Principles 7, 8, 9

For example, the use of our partners' efficient cloud servers allows for the optimum capacity utilisation of the technological resources as it results in economies of scale in terms of both energy consumption and resource utilisation.

The reduction of waste is something that the Telefónica Deutschland Group strives for across all processes and areas. We consistently ensure that statutory environmental standards are observed when disposing of unavoidable waste. We operate on the basis of our own guidelines in the area of waste management. We document the relevant waste volumes via the waste management system GReTel (Gestión de Residuos de Telefónica), which was specially developed based on the Telefónica, S.A. Group's needs. This system enables us to record, among other things, types of waste together with where the waste occurred, the volume, each type's disposal channels and the evidence needed. This additional transparency allows us to effect disposal chain optimisations with a view to achieving an almost complete level of recycling.

Additionally, a series of guidelines and voluntary commitments serve to make the way our company does business resource-efficient. These include the company's commitment to the UN Global Compact and its environmental principles, the environmental and energy policies, the Human Rights Policy, the Supply Chain Sustainability Policy including the low-carbon procurement guidelines and the specifications regarding conflict minerals.

STRATEGIC PRIORITIES
Products and services

Through its brands, the Telefónica Deutschland Group offers business and private customers a broad range of hardware comprising mobile phones and other electrical devices (such as tablets, games consoles and smartwatches) both with and without a mobile communications contract. The enhanced performance and the consolidation of functions in these devices hold significant resource conservation potential. This includes, for example, replacing cameras or fixed line phones as well as using smart home applications to make day-to-day life energy- and resource-efficient.

However, this benefit is cancelled out if, on the whole, mobile devices are replaced too soon and disused devices are not recycled because the manufacture of mobile phones and electrical devices results in significant environmental impacts when viewed over the life cycle. In particular, mining primary raw materials is very resource-intensive and entails social and environmental risks. The relevance to climate protection is also illustrated when the carbon emissions of the various life cycle phases are considered – around 70% of emissions are already generated during production.[1]

The composition of mobile phones and other mobile devices such as tablets and laptops is complex and correctly making used devices reusable demands high technical standards of recycling companies. We rigorously pay attention to these standards being met when selecting our partners. Another barrier to the circular economy is mobile devices gathering dust in drawers in the workplace or homes, resulting in a lack of recirculation above all of mobile phones and small electrical devices. The illegal disposal of electrical waste in household

waste, which harms the environment, and the illegal export of electrical waste to countries with only very low environmental standards are likewise problematic. We have put up signs in our shops stating that we take back used devices, SIM cards and batteries. We also support our customers with an especially convenient process for returning devices such as laptops, tablets and TVs.

Together with our subsidiaries and cooperation partners, we are working to strengthen the circular economy via our product range composition and the ecological design of our own-brand products, information for the customers and approaches to the reuse and recycling of mobile devices.

Product range composition and packaging design in accordance with eco-design criteria
In terms of our procurement activities, we focus first and foremost on selecting smartphones that we wish to offer our customers. With our Supply Chain Sustainability Policy, we oblige our suppliers to comply with high environmental and social standards in everything from the extraction of raw materials and water consumption to production, transport and dealing with waste. Here, the joint protection of the environment and human rights is very important to us. The eco-friendliness of the resources used is monitored by means of an environmental declaration. We additionally expect manufacturers to take eco-design principles and reparability into account as far as possible and to give preference to the use of recycled materials.

The Telefónica Deutschland Group wishes to promote the development and sale of ecologically beneficial mobile communications devices, gadgets and accessories by increasingly putting its product range together in accordance with the principles of a resource-conserving circular economy.

[1] Source: Greenpeace (2017):"FROM SMART TO SENSELESS: The Global Impact of 10 Years of Smartphones"

GRI Management approach:
Waste (103-2; 103-3); Environmental
Compliance (103-2; 103-3);
GRI 102-11; 102-43; 102-48; 301-3;
308-2; 417-1; 417-2

UNGC-Principles 7, 8, 9

Sustainable purchasing

Eco Rating:
System assessing the impact of mobile
phones from a sustainability perspective

Sustainable devices:
E.g. Fairphone with modular design and
recycled materials

Half-size SIM card carrier format:
Prevention of plastic waste

Responsible recycling

Used mobile phones:
Recovery of valuable raw materials from over
100,000 devices per year in cooperation with the
AfB non-profit GmbH

NABU:
Mobile phones recycled in aid of the association's
environmental projects

**A sustainable
mobile phone
life cycle
with O₂**

LET'S KEEP THE PLANET BLUE

**Sustainability at Telefónica
Deutschland/O₂**

Responsible Business Plan:
5-year plan managing sustainability activities

"Let's Keep the Planet Blue":
Strengthen the range of sustainable products
and services

Long use

O₂ repair service:
More than 3,000 orders per month

O₂ mobile phone buyback:
For disused functional devices

With the Fairphone 4, for example, the company offers an especially sustainable device with accessories as part of O₂ My Handy. Its manufacturer sets great store by fair production labour conditions, recycled materials, transparency regarding the raw materials used, reparability, durability and a well-thought-out recycling approach. The Fairphone 4 was awarded the Blue Angel eco-label in early 2022. To date, this certification has only been awarded to this smartphone and a predecessor model, the Fairphone 2.

We also want to further optimise the products offered under our O₂ brand together with their packaging by means of targeted eco-design. We will focus here in particular on the next generations of routers. The changeover to the half-size SIM card carrier format is another example. This is only half the size and half the weight of the previously used bank card format, thus making the ecological footprint for manufacture and transport smaller and reducing the volume of waste. We issued around 8.6 million SIM cards in this carrier design to our customers and partners in 2021, thereby avoiding

17.2 tonnes of plastic usage during the reporting year. In addition, we dispatch our parcels made of recycled materials to the customers and shops climate-neutrally with DHL GoGreen – and we do so at no extra charge. To reduce transport volumes and avoid packing materials, the parcels are specifically tailored to virtually every device dispatched. The packaging for our O₂ DSL routers is designed in such a way that they can be forwarded without the need for outer packaging, with an address label simply needing to be applied.

Repair service, refurbishment and recycling

O_2 and Blau offer various services to extend the useful life of mobile phones – mobile phones which are returned within 14 days of their purchase or which we take back as a gesture of goodwill are repaired if needed and sold primarily through Blau at a discounted price. We also accept mobile phones that still work as payment through our cooperation partner Teqcycle. Teqcycle refurbishes the mobile phones and puts them back into circulation. We were able to refurbish and recirculate a total of 50,561 devices in the year under review. Minor external blemishes, for example, are remedied without the entire casing being replaced. Customers who have taken out mobile phone insurance cover with us can likewise send in their device for repair. An additional 17,198 devices were repaired in this way in the year under review.

Furthermore, our O_2 mobile phone recycling programme allows consumers to dispose of their used devices responsibly. They can submit their devices in our shops, via the online portal www.o2online.de ↗ and via the collection points of our cooperation partner NABU. The data on working mobile phones is deleted via a certified process and the devices are processed for remarketing, where possible, by the IT company AfB. In comparison with the production of a new mobile phone, this causes fewer emissions and requires less metals and energy. Devices which are inoperable, for example smartphones with a broken display, are destroyed by a mechanical shredder. The pieces measuring just a few millimetres are then given to Umicore. This is a certified metalworks which smelts electrical waste and guarantees correct and environmentally impeccable disposal. We were able to collect more than 163,100 used mobile phones via our mobile phone recycling programme in 2021 alone.

Resource efficiency in the area of products likewise determines how we deal with the DSL routers

returned to us by customers. These devices also undergo a technical inspection and are refurbished to make them as good as new once again. Routers that cannot be refurbished are disposed of properly by Umicore. 50.3 tonnes of electrical waste were avoided in 2021 thanks to the refurbishment of 77,383 routers.

Information on device features and model ratings

Customer advice and information are key factors in the success of our strategy as this is how the products and services are presented to the customers in the context of a resource-conserving circular economy. In accordance with the guiding theme of "Let's Keep the Planet Blue", environmental initiatives at various touchpoints throughout the customer journey are being expanded and communicated, for example regarding the utilisation of used mobile phones. We are also pooling our sustainable customer offerings and information on a microsite in the O_2 My Handy online shop. In this way, we are pursuing the goal of transparently teaching our customers about relevant device features and environmental benefits and informing them about our repair, refurbishment and recycling programmes.

A key approach in this context is Eco Rating product evaluations. The participating manufacturers' model ratings are presented transparently on the O_2 My Handy product page. The customers can therefore see information about mobile devices' durability, recyclability, reparability, resource efficiency and climate efficiency at a glance. In 2021 the Eco Rating replaced the Eco Index, which the Telefónica Deutschland Group introduced back in 2011. The Eco Index was created as an assessment catalogue for the purposes of transparently providing product information. Other telecommunications companies and manufacturers are now involved in its successor, the Eco Rating, and this further increases the value of the information for

the customers. At the same time, the catalogue of requirements for various categories was made more stringent.

We also support smartphones having longer useful lives by offering contract terms of 36 and 48 months in the My Handy programme, with the terms not being automatically extended. This therefore does not generate an incentive for customers to replace their mobile phones. Once they have paid off their mobile phone, all our customers pay is their mobile communications tariff.

Administration and shops

The principles of the circular economy apply across all processes and areas at our administrative sites and shops too. As a service provider, the Telefónica Deutschland Group has a relatively low direct ecological footprint in comparison to product manufacturers. In view of the size of our company, we see it as our responsibility to also use small levers to achieve high resource efficiency in the workplace.

GRI Management approach:
Waste (103-2; 103-3); Environmental
Compliance (103-2; 103-3);
GRI 102-11; 102-43; 102-48; 301-3;
308-2; 306-1; 306-2; 306-5

UNGC-Principles 7, 8, 9

We develop our measures along the relevant material uses in day-to-day business, from the efficient usage of paper and the systematic reduction of packaging waste in canteens and cafes to environmentally sound marketing materials and the IT and office equipment.

Lowering paper consumption and using recycled materials
We are reducing our paper usage in customer services by, for example, seeking to engage in dialogue with the customers via our digital services such as apps and assistants and giving preference to sending bills online, for example via the Mein O₂ app. The proportion of online bills was 91.8 % at the end of 2021. In the years to come, we want to use additional measures to further increase the proportion of online bills (2022 target: 92 %) in order to promote paper-saving behaviour.

We are making it easier for our employees to save paper by promoting digital document administration. Only recycled paper with Blue Angel certification is used in our offices, call centres and shops. A comparison of virgin fibre paper and recycled paper illustrates the potential to conserve resources – recycled paper completely does without wood as a primary raw material and, according to Initiative Pro Recyclingpapier ↗ (Pro Recycled Paper Initiative), also reduces energy and water consumption by 60 %.

10 % of our 2021 waste volume was paper and card waste. We recycled 100 % of this.

Optimisation of water consumption
We focused on optimising water consumption at our offices in the year under review. Having assessed the options, we began seeing to it that only economical appliances are installed when replacement purchases are made and that, where technically feasible, water-saving tap aerators are used. When conversions are planned, we ensure that entire areas are fitted with tap aerators and efficient dishwashers.

The fact that many employees spent the whole of 2021 working from home due to the COVID-19 pandemic contributed to a reduction in water consumption. The space consolidation programmes of the office locations also led to this reduction. Consumption totalled around 27,200 m³ in the year under review (2020: around 61,600 m³).[1]

Reducing canteen and cafe packaging
We additionally introduced the RECUP deposit system for to-go coffee cups at our sites with a canteen or cafe in the year under review, avoiding single-use waste and conserving resources. The users buy their coffee in a RECUP deposit 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. For warm meals too, only reusable packaging is now employed. With the REBOWL system, leftovers are placed in packaging with a lid and can also be taken home.

Waste key figures of the Telefónica Deutschland Group in 2021

	Non-hazardous waste	Hazardous waste	Total
Total waste generated (t) (excludes reuse[1])	1,116.5	138.0	**1,254.5**
Waste diverted from disposal (t) (includes reuse and recycling)	1,003.6	148.5	**1,152.1**
Waste directed to disposal (t) (includes energy recovery)	113.1	0.0	**113.1**
Waste management by treatment method			
Equipment reused (t)	0.1	10.5	**10.6**
Waste recycled (t)[2]	1,003.4	138.0	**1,141.4**
Waste to energy recovery (t)[3]	113.1	0.0	**113.1**
Waste sent to landfill (t)[4]	0.0	0.0	**0.0**

[1] Total waste volume (t) excluding reuse as mobile phones are not considered waste until the end of the use phase
[2] Here, the recycling also includes preprocessing and intermediate treatment (i.e. material recovery) prior to energy recovery.
[3] Total weight of waste directed to disposal (incineration with energy recovery)
[4] The Telefónica Deutschland Group only supplies waste to companies charged with preprocessing it. No waste is sent directly to landfill.

[1] The water consumption data for 2021 is based on projections that more specifically reflect the office restrictions during the pandemic. Due to the COVID-19 pandemic, fewer staff members were present in the offices and shops in the reporting year. The projections are based on the actual consumption in 2019 and take into account the persons present on site in 2021. The calculation was also updated compared to the previous year.

GRI Management approach:
Waste (103-2; 103-3); Environmental
Compliance (103-2; 103-3);
GRI 102-11; 102-43; 102-48

UNGC-Principles 7, 8, 9

Refurbishing or disposing of used office appliances

Used hardware in our offices, call centres and data centres is continuously being replaced with models that are new, more powerful and more energy-efficient. The correct disposal or reconditioning of used laptops, monitors or printers is seen to by our IT service partner.

Gradual changeover to sustainable office materials

We changed delivery company in the year under review to be able to make our supply chain climate-friendly with GoGreen. We now also use combined shipments for our offices to reduce our carbon footprint for transport. The procurement of consumption-based materials is mandatorily subject to our low-carbon procurement guidelines and our Supply Chain Sustainability Policy ↗.

We intend to have our core range of consumption-based office materials assessed by an external service provider in 2022 to see what would be possible in terms of switching to sustainable products and to derive measures accordingly. Additionally, there was the development of the guidelines for ethically responsible communication ↗ in the year under review which entered into force in March 2022. We realise the sustainability requirements as stipulated in these guidelines by, for example, transferring communication events to the digital arena or by eliminating plastics or printed communication materials wherever possible.

Network infrastructure and operation

The Telefónica Deutschland Group operates its mobile communications network with around 30,700 mobile network sites. Of these, some 14,400 sites (roof and tower sites) and their passive infrastructure are owned by American Tower, while the Telefónica Deutschland Group owns the facilities' technology. Responsibility for this active infrastructure (antennas, cables and system technology) of all the mobile network sites lies with the Telefónica Deutschland Group.

The volume of materials used for network expansion involving antennas, cables, steel structures, etc. and the volume of waste generated by conversion and dismantling work are accordingly high. As there are only a few suppliers who provide the necessary network components, the scope for action in the area of purchasing is limited. We therefore focus primarily on the resource-efficient modernisation of the network infrastructure and the correct disposal of electrical waste and metals in order for them to be recycled.

In the course of the modernisation of our network infrastructure, dismantling is performed when a change in technology is effected or when sites are expanded. For the time being, sites that may be relevant in the future as 5G sites are not being dismantled. With only a few exceptions, the electronic waste generated when base stations are dismantled is economically and technologically useless. Dismantled equipment is therefore recycled quickly and efficiently with the assistance of a specialist recycling company.

Valuable raw materials such as iron, aluminium and non-ferrous metals are extracted from the electronic waste as far as possible and, in the case of large yields, can be fed straight back into the economic cycle. Residual waste is disposed of properly in accordance with the applicable

statutory provisions. Recycling is performed in accordance with our environmental certification as per ISO 14001, which guarantees fast, correct and verifiable recycling. Furthermore, the electronic waste is collected and taken to a recycling plant with the assistance of efficient transport logistics that avoids empty lorry runs and aims to reduce carbon emissions.

The volume of waste from electronics and electronic devices related to network operation and the offices amounted to 92.2 tonnes in 2021 (previous year: 88.3 tonnes). We passed 100 % of this on to professional disposal companies for recycling. The volume of waste from non-electronic equipment such as cables, pipes, metals, paper and card came to 1,035.8 tonnes (previous year: 1,569.2 tonnes). Here too, we had a recycling rate of 100 %.

Facilitating participation in the digitalised world

High reputation scores as measured by RepTrak Pulse

Digital access
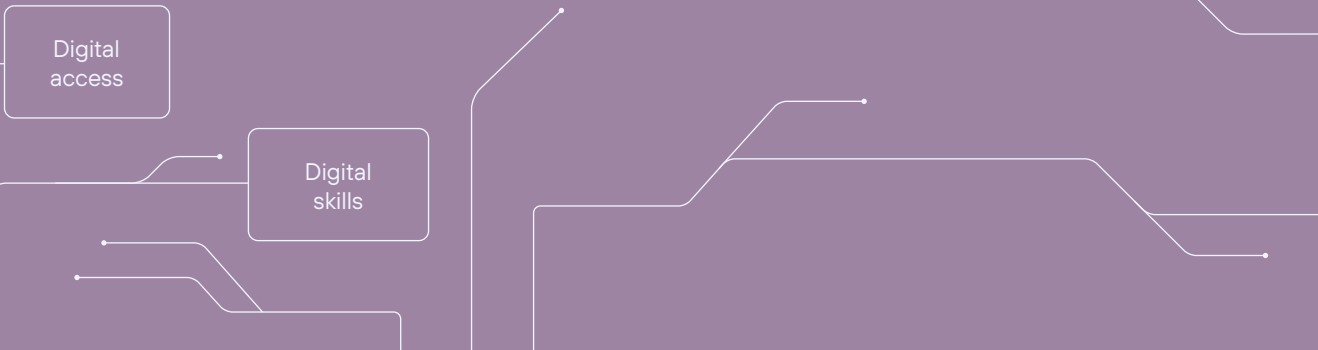
Digital skills

Mission for 2025

We will facilitate participation in the digitalised world by affording people access and skills.

45.7 million

people are connected via our mobile communications network

69

out of 100 RepTrak Pulse points:
+4,1 points compared to previous year

Digital skills

Commitment

We will make people fit for the digital world.

Our achievements

Together with the partners of the WAKE UP! initiative, we took a clear stand against cyberbullying and cyberviolence. We strengthened the sovereignty of children and young people by means of educational work, practical instructions and digital offerings to enable them to handle the challenges of the digital world. With our "Digital mobil im Alter" (Digitally mobile in old age) programme, we once again familiarised senior citizens with using smartphones, the Internet and the like in 2021. One of the focuses was how to deal with disinformation online.

3.9 million

people reached through WAKE UP!, in particular children and young people

2.6 million

people reached through our programme for senior citizens

Focus SDGs

We want to eliminate inequalities within society with our educational offering for various age groups and with programmes for the development of digital skills. Everyone should be able to make their lives self-determined and benefit from the advantages of digitalisation. Our focus here is on vulnerable groups such as children and young people as well as senior citizens.

UN Global Compact

- ■ Human rights
- ■ Labour
- ■ Environment
- ■ Anti-corruption

CDR Initiative

CDR field of action:
Inclusion

We promote digital skills in various population groups and enable them to act independently so that everyone can tap the opportunities offered by digitalisation.

Corporate Digital Responsibility Initiative

GRI Management approach:
Local Communities (103-2; 103-3);
GRI 102-12; 413-1

UNGC-Principles 1

Digital skills

BASIC PRINCIPLE AND CHALLENGES
Handling digital media confidently

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. The Telefónica Deutschland Group therefore promotes digital skills in various population groups to enable them to benefit from the opportunities offered by digitalisation. The coronavirus pandemic has illustrated just how important this teaching of skills is – digital technologies are playing a significant part in maintaining people's connections with one another and allowing them to continue to use services and offerings in spite of contact restrictions. However, not everyone has the necessary knowledge or the technical prerequisites to keep pace with digitalisation, which has been accelerated by the pandemic (more on the topic of access in the "Digital access" chapter).

In our skill-teaching programmes, we also raise awareness of the risks involved in using media content. These risks include not being able to recognise fake news and therefore being influenced by such news. We assisted elderly people in forming their own unswayed and informed political opinion ahead of the 2021 federal election with an information campaign.

It is often a lot more natural for young people to use digital content than it is for older people, so media users who are minors need particular protection.

They too have to learn how to use digital technologies safely. The coronavirus pandemic has resulted in children and young people spending a lot more time online (2021: 241 min., 2019: 205 min.), as illustrated by the JIM Study 2021 ↗ published by Media Educational Research Association Southwest (mpfs). 58 % of 12- to 19-year-olds said they had encountered hate messages within the last four weeks, while 47 % said they were confronted with offensive comments. Overall, the proportion of young people affected is higher than in 2020 according to the study. More and more primary school children are affected by cyberbullying too, as shown in other surveys.

We champion the upholding of children's rights and youth protection by strengthening children's and young people's media skills and teaching them about problematic online content and cyberbullying. We help parents adopt a responsible approach to their children's mobile freedom. More information on our basic principles regarding children's rights can be found in the "Human rights due diligence" chapter.

PROCESSES AND MANAGEMENT
Tracking programme target attainment

As part of the Telefónica Deutschland Group's Responsible Business Plan 2025 we are pursuing the goal of making people fit for the digital world. We want to help our customers with all the new developments and challenges relating to the use of digital services and digital products. This is to happen via voice, messaging, video chats, apps and the portal.

Our two main social programmes for the teaching of skills are the anti-cyberbullying initiative WAKE UP! for children and young people and the "Digital mobil im Alter" (Digitally mobile in old age) programme for senior citizens. The purpose of WAKE UP! is to boost young people's digital sovereignty and strengthen social cohesion. Our partners are the German Association for Voluntary Self-Regulation of Digital Media Service Providers (FSM) and YAEZ, an agency for education communication. We sought to reach out to a total of 2 million people with WAKE UP! in 2021 by means of various measures. We have been realising the "Digital mobil im Alter" programme together with the Digital Opportunities Foundation since 2012. This has allowed us to accompany many senior citizens as they took their first steps in the digital world. We had a target here for the reporting year of 1.5 million people reached, which we more than met with a figure of around 2.6 million. We likewise succeeded in exceeding our WAKE UP! target of 2 million by reaching approximately 3.9 million people in 2021.[1]

To evaluate the success of our measures, we carry out a detailed assessment of the individual social programmes and events. Here, we use targets to determine the reach such as the number of participants at events and symposia, the number of

[1] We differentiate between involved and reached people. Involved people are those who we have also trained or advised. Reached people include those who have only informed themselves about our offers, i.e. including our media reach. We make this distinction because we cannot say whether these people have only perceived our learning offers or have also used them.

GRI Management approach:
Local Communities (103-2; 103-3);
GRI 102-12; 413-1

UNGC-Principles 1

people who use our learning videos and materials, the number of website visits and the number of media reports. As regards our programmes, we regularly collect feedback from the participants in order to be able to even better meet their specific needs and expectations in future. Studies help us to further develop our measures and programmes in a targeted manner.

Responsibility for the social programmes lies with the company's Corporate Responsibility and Sustainability (CR&S) department. This reports directly to the Chief Officer for Legal and Corporate Affairs of the Telefónica Deutschland Group and manages programme development and the processes together with the long-standing co-operative partners. The internal Youth Protection Officer likewise reports to the Chief Officer for Legal and Corporate Affairs. We play a part in protecting children and young people online and support this group in using technology responsibly with specially designed programmes and projects. This protection is enshrined as a duty in our Human Rights Policy ⬈. This guides our actions, as does our commitment to voluntary self-regulation of mobile communications media protection for young people (more information in the "Product and service experience" chapter).

Due to the pandemic, many formats involving direct and personal interaction such as workshops and discussion events were once again either replaced with or complemented by online formats, web series and explanatory videos in the year under review.

STRATEGIC PRIORITIES
Taking a stand against cyberbullying

Cyberbullying has become a growing problem in society. Many people feel their freedom is restricted by insults and menaces or even feel threatened. The anonymity of the Internet makes the perpetrators feel uninhibited and prosecuting them is often difficult.

According to a 2020 study by Bündnis gegen Cybermobbing (Alliance against cyberbullying), almost 2 million children and young people in Germany alone, for example, have been victims of online threats and insults. The study also makes the dimensions of cyberbullying clear: 17.3 % of children and young people aged between 8 and 21 are affected by cyberbullying. This figure is more than a third higher than it was in 2017. And the victims continue to get younger. Based on parents' statements, one in ten children attending primary school has already been a victim of cyberbullying. Among 13- to 17-year-olds, even one in four schoolchildren said they had already experienced cyberbullying.

According to a 2020 GfK study commissioned by O₂[1], young people want to more actively tackle cyberbullying – only 56 % take action themselves if they see someone being insulted or attacked online. 77 % say it would be easier for them to tackle cyberbullying if they could do so together with others. This is precisely what we are seeking to achieve with our WAKE UP! initiative – in a six-part web series, schoolchildren, teachers and parents are taught about what forms cyberbullying can take and learn how they can play a part in fair and respectful interaction online. An important element here is what are known as eduStories – digital teaching modules with a fun character via

which schoolchildren are set tasks that they can solve with the aid of multimedia content. The modules are based on popular stories taken from social media such as Instagram and TikTok, and they therefore tie in with young people's lifeworlds. The videos also point people in the direction of tangible assistance provided by various agencies. The programme is founded on an informed pedagogical concept. With its interactive teaching of skills, the initiative's content can also be used in schools as well as during workshops, fairs and events. All the services and information, including further background information, to do with the topic of cyberbullying are pooled on the website wakeup.jetzt and can be accessed for free.

The online advice platform of the association Cybermobbing-Hilfe e. V. went online in 2021 as the first of its kind for the whole of Germany. The Telefónica Deutschland Group is supporting the platform with service expertise and funding. A team of ten voluntary and predominantly young experts engaged in targeted further training to be able to swiftly offer assistance to those affected by this topic. People seeking assistance on the website www.cybermobbing-hilfe.de ⬈ are directed to

¹ Source: https://www.telefonica.de/news/corporate/2020/01/cybermobbing-hinterlaesst-spuren-jeder-zweite-in-deutschland-fuehlt-sich-nachhaltig-verletzt.html

the advice platform simply by clicking their mouse. They then receive a personal response within 24 hours at the latest. We accompanied the launch of the platform with an online event held at THE LOFT in Düsseldorf. The way in which the platform works was presented to the young people in a fun way by means of a live test game. In WAKE UP! workshops, we subsequently developed solution strategies for respectful conduct online and in the classroom together with schoolchildren and experts.

We organised a series of workshops in schools in the year under review to further strengthen young people's digital sovereignty and social cohesion. On the occasion of Children's Day on 20 September 2021 we launched a nationwide video competition together with our WAKE UP! partners. The purpose of the competition was for young people to learn in workshops how to identify bullying situations, assess the consequences and respond accordingly. They then staged what they had learned in videos they filmed themselves. Schools from throughout Germany had the opportunity to participate in the video competition and the related video workshops. It was kicked off with a project day at the Dortmund school Max-Planck-Gymnasium. Videos from our web series were used as examples of cyberbullying cases. The young people were also offered tips on how to tackle, among other things, bullying in classroom chat. After this, the young people had the opportunity to apply what they had learned by shooting creative videos in small groups, featuring strategies to resolve cyberbullying. In addition to various video workshops that we ran at schools throughout Germany, the pupils in three school classes were given an insight into video production possibilities at an event held at the Telefónica BASECAMP in October.

We also arranged a live Instagram session with the influencer Cheyenne Ochsenknecht in December. Together with experts from the FSM and Cyber-mobbing-Hilfe e. V., she invited people to participate in a Q&A session on the topic of cyberbullying on her Instagram channel. Young people had the opportunity to share their experiences here and seek advice. We reached a total of 24,737 people with our anti-cyberbullying initiatives in the year under review (2020: 7,277).

Safe and informed surfing

To ensure that children and young people only use age-appropriate offerings on the Internet, we support parents with guides and brochures on competently handling their children's mobile freedom. We are also on the Advisory Board of klicksafe, the EU initiative for greater online safety. We enable young people to surf online safely with special tariffs and devices (more information in the "Product and service experience" chapter).

Our shop and hotline staff have been given training in assisting our customers with their questions regarding digital topics. In face-to-face conversations locally and via video chats, they again helped users of different ages to make the most of digital technologies in 2021. Our video-based advice options were used 3.06 million times in the year under review.

Strengthening the skills of the elderly

Digital technologies can help the elderly to continue to live independently in their own homes for longer and make their day-to-day lives more self-determined. In addition to media skills, a fundamental prerequisite for this is that they have faith in their own abilities. As also addressed in the German government's Eighth Government Report on Older People, there is a relatively wide gap within the 65+ generation between those who already know how to make the most of the digital opportunities and those who appear to still have inhibitions for various reasons. As illustrated by the D21-Digital-Index study ↗, only one in two people aged 70 and above uses the Internet at least occasionally. Key reasons for the elderly not using the Internet are a lack of understanding of the concrete benefits of the Internet and insufficient skills to be able to cope with digital devices and apps.

It is precisely these skills that we endeavour to teach with our "Digital mobil im Alter" (Digitally mobile in old age) programme. Under the title "Digital(es) einfach erklärt" (Digital matters explained simply), we offer videos on our website that introduce users to using search engines, the operating systems of mobile devices and video platforms. We also developed "expeditions into the digital sphere" as part of the action week surrounding Digital Day on 18 June 2021. With these expeditions, which are still available online, we want to arouse the interest of the elderly in digital media and encourage users who already have experience to help beginners explore the digital world. To this end, we created guides featuring individual stages which are designed to encourage the elderly to discover the diverse digital possibilities and to promote independent learning, but which can also be used by trainers in teaching offerings and courses. Senior citizens can complete the expeditions on their own, in tandem with a digital-savvy person or in larger learning groups. To conclude our digital week, we organised an online event on the nationwide Digital Day in which the participants could engage in dialogue with member of the German Bundestag Sönke Rix.

Ahead of the 2021 federal election in September, we launched an information campaign for the elderly on the topic of disinformation on the Internet entitled "Faktisch betrachtet – Fit gegen Fake News" (Factually speaking – fit for fake news). As the topic of disinformation on the Internet is not new, there is already a wide array of (digital) teaching and educational offerings, but these are mostly aimed at a younger audience and barely reach out to the elderly. According to the latest Digital Skills Gap study ↗ produced by Initiative

GRI Management approach:
Local Communities (103-2; 103-3);
GRI 102-12; 413-1

UNGC-Principles 1

D21, only around half of those surveyed aged 60 and above believe they can differentiate between serious and dubious news online – in the case of those surveyed aged 75 and above, it is only 37 %. The information pack we created comprises materials such as a topic overview and a checklist for identifying misinformation, explanatory videos, an online quiz and a series of video talks in which senior citizens engaged in dialogue with experts and politicians. The materials can also be used by trainers conducting further training.

The closing event was held at the Telefónica BASECAMP in Berlin on 25 October 2021 with a panel discussion. Here, representatives from the fields of politics, business and science looked back at the election campaign in dialogue with senior citizens and explained the influence that disinformation had on the election results. Practical tips regarding how to protect yourself from fake news were also provided. The event was held in a hybrid format, meaning people from all over Germany were able to participate digitally and ask questions.

The "Digitale Kompetenzen für ältere Menschen" (Digital skills for the older generation) guide developed in 2019 on the basis of a study initiated by the Digital Opportunities Foundation and us provides key support in the development of teaching offerings for senior citizens. New recommendations and practical materials were added to the guide in the year under review, including on the topic of recognising misinformation. The "expeditions into the digital sphere" can also be added to the guide.

We offered the elderly some distraction in their daily lives during the coronavirus pandemic with digital games afternoons. In spring 2021 we invited senior citizens throughout Germany to two online events held during Europe's All Digital Week. Those who played shared their knowledge, experience and ideas and also learned how to use videoconferencing software or were able to deepen their knowledge. Employees assisted with preparation and realisation as part of the Telefónica Deutschland Group's corporate volunteering programme (more information in the "Designing the work environment" chapter). Another digital game and exchange event was held during Advent with a digital puzzle round.

We were able to return to holding digital walks for senior citizens locally again in 2021 after a year of there only being an online version. This gave senior citizens in Berlin who had the Actionbound app the opportunity to explore a residential estate and a park in the Berlin district of Lichtenberg. The walk was developed together with senior citizens from the district and the Lichtenberg municipal library in a number of online workshops. The participants were familiarised with tools for digital collaboration and image editing and put them to productive use.

We presented the "Digital mobil im Alter" programme at various events in the year under review. For example, we participated in an event series relating to the Eighth Government Report on Older People at the invitation of the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ), the Impetus for CDR event series of the Federal Ministry of Justice (BMJ) and a panel discussion to mark German Senior Citizens' Day (more on the digital participation of senior citizens in the "Digital access" chapter). In total, we recorded just under 75,000 participants in our "Digital mobil im Alter – Tablets für Senioren" (Digitally mobile in old age – tablet PCs for senior citizens) programme in the year under review (2020: 47,000)[1].

[1] The calculation is partly based on projections. Since 2020 the figure has been made up of the total number of website visitors, downloads of handouts and guides, visitors to live and online events and a 50 % share of the total number of podcast views and views of the explanatory videos. In the total of tablet loans, plus the 486 loans made to individuals, approx. 50 % of the devices were also used by another person.

Digital access

Commitment

We will afford everyone access to the digital world by means of special offerings.

Our achievements

We were able to play a part in combating the digital divide within society in 2021 by accelerating the expansion of the 4G and 5G networks and taking the Internet to many rural regions. We afforded children and young people easier access to a digital self-determined life with laptops and free Internet access and by sponsoring a tutoring project. We also dismantled access barriers with our new O₂ service hotline for hearing-impaired customers and our service hotline for senior citizens.

> 99 %

of Germany's population covered by 4G, around 30 % of the population covered by 5G

More than 1,000

digital packs and mobile devices made available to children and young people

Focus SDGs

We want to promote digital inclusion and reducing inequalities within society while ensuring that no one is excluded from mobile communication or is limited in their communication options. We aim to offer everyone access to the digital world. We are creating the basis for this with an efficient network both in towns and cities and in rural areas.

4 QUALITY EDUCATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

UN Global Compact

- Human rights
- Labour
- Environment
- Anti-corruption

CDR Initiative

CDR field of action:
We promote solutions which support digital participation and counteract barriers to people accessing products and services.

Corporate Digital Responsibility Initiative

GRI Management approach:
Local Communities (103-2; 103-3);
GRI 102-12; 413-1

UNGC-Principles 1

Digital access

BASIC PRINCIPLE AND CHALLENGES
Promoting digital participation

Digitalisation offers people greater flexibility in their daily lives, connects them to one another and simplifies access to information, educational offerings, heath services and many other products and services. For all people to be able to enjoy the advantages of digitalisation, we are championing the reduction of inequalities in society and are promoting digital participation.

Our objective is to afford all population groups access to the information and communication opportunities which are available in the digital world irrespective of their age, origins, place of residence or income. This is dependent on their having knowledge of and skills in the use of technologies. The safety of digital services and the ability to be able to access communication services from anywhere are other essential factors.

82 % of the German electorate wants to see the new German government do more in the area of digital participation. Together with expansion of the digital infrastructure (90 %) and the boosting of German cybersecurity (85 %), a desire for digital participation is therefore one of the voters' three key digital policy wishes. This was the finding of a representative survey ⬈ conducted by Bitkom among registered voters in September 2021 after the federal election.

We want to combat the digital divide within society with an efficient network which connects town and city dwellers just as well as people living in rural areas (more on this in the "Network quality and coverage" chapter). We are dismantling obstacles

to access in various projects and with a variety of products and services. Our measures are aimed primarily at schoolchildren and the elderly, who frequently do not have the technical prerequisites necessary to making the most of the opportunities offered by digitalisation.

The COVID-19 pandemic clearly illustrated the importance of digitalisation in education and highlighted failings in this area. In many cases, schools are not adequately equipped to be able to guarantee digital learning and teachers are facing entirely new challenges. According to the eGovernment MONITOR 2021 ⬈ of Initiative D21 and the Technical University of Munich, 85 % of parents and schoolchildren were still reporting obstacles to digital teaching in the second year of the pandemic. By equipping schoolchildren and senior citizens with tablets and Internet access, we are enabling young people to participate in classes and are affording the elderly access to, for example, telemedicine or video chats with their families – something which is especially important at times of contact restrictions.

PROCESSES AND MANAGEMENT
Targeted further development of the programmes

To achieve our digital participation objectives, we regularly evaluate our nationwide measures and projects and develop them further in a targeted manner on the basis of scientific studies. The Telefónica BASECAMP serves as the central platform for societal dialogue regarding digital inclusion issues. We regularly ask those who participate in our support projects for feedback and also record the

number of participants in events and symposia as well as the number of website visits. The figures for how often our brochures and guides are accessed likewise shed light on the scope of their usage.

Our company's CR&S department is responsible for the Telefónica Deutschland Group's social programmes, manages its development and the processes together with cooperation partners and reports directly to the Chief Officer for Legal and Corporate Affairs of the Telefónica Deutschland Group. Digital inclusion is enshrined in our Human Rights Policy as part of our obligation to society.

STRATEGIC PRIORITIES
Reducing the digital gap among schoolchildren

According to the Initiative New Social Market Economy (INSM) Bildungsmonitor ⬈ (Education Monitor) 2021, failings in the area of digitalisation and shortcomings regarding online teaching are at the expense of educational equity and therefore also of equal opportunity. The report states that children and young people from educationally disadvantaged households and with a migrant background suffer the most. We assume responsibility here as a company for strengthening children's rights so that the gap between children from low-income families and those from high-income families does not get any wider. We seek to play our part here with the programmes and initiatives designed to afford children and young people easier access to a digital and self-determined life.

For example, children and young people from socially disadvantaged families are the focus of the

Haydee! social project, which we and our ethnic brand AY YILDIZ supported in the year under review with donations in the form of smartphones, tablets and starter sets. It is often the case that socially disadvantaged families with a migrant background do not only lack the necessary technology. Many of the parents experience language barriers and cannot adequately assist their children with their learning. Haydee! brings mentors and mentees together, arranges assistance with homework throughout Germany and makes it possible for schoolchildren to have free access to tutoring.

Preparing schools for digitalisation

We want to play our part in boosting digitalisation in education with our products and services too. For example, O₂ Business is making quick access to the age of digital learning possible with a digital package for schools that is simple and efficient in equal measure and features extensive information and advisory services. The package comprises Apple iPads, a mobile communications tariff with unlimited data usage and teaching apps. Our O₂ Business experts configure the devices and provide assistance with setting up and using Apple School Manager. Default technical settings ensure that the Internet can only

be used for the teaching apps and therefore solely for school-related purposes. Since March 2021 the children's rights association Deutscher Kinderschutzbund Bundesverband e. V. (DKSB) has been backing the "Digitalpaket für Schulen" ↗ (Digital pack for schools) too and is enabling the children of families who are supported by the organisation to participate in home schooling in this way.

Together with the telecommunications service provider Bonamic, the Telefónica Deutschland Group won a tender awarded by the city of Bochum for the development of a digital pack for families in need. The city pays for a mobile router and a mobile tariff for children and young people from low-income families. The router connects to the Internet via the O₂ mobile communications network and offers an unlimited data volume, but with a block to prevent misuse. The project partners also set up the tablets provided by the schools and operate a service hotline. The city of Bochum was provided with a total of 1,000 digital packs for children and young people. In addition to the digital pack for families in need, Bonamic and the Telefónica Deutschland Group developed an affordable education tariff which all schoolchildren and students in Bochum can use.

The digitalisation of schools was again the subject of digital information events and panel discussions at the BASECAMP in the year under review, such as the "Future learning" Kitchen Talk held in October 2021. Education experts gathered around the kitchen table at our event location to discuss teaching and learning methods that engage schoolchildren and make the education system more resilient.

Facilitating communication for migrants

For 15 years now, our AY YILDIZ brand has been offering citizens of Germany with Turkish roots products for mobile communication and Internet usage in both Germany and Turkey. Ortel Mobile, a key prepaid service provider for people with a

migrant background and likewise a member of the Telefónica Deutschland Group, has been operating in the market for just as long. With these two ethnic brands, we afford people who have migrated to Germany easy access to mobile communication in Germany. To this end, we are continuously expanding the digital payment methods. Since 2021 customers have been able to top up their devices using PayPal, a credit card, instant transfer and an innovative WhatsApp dialogue. We provide information on our tariffs and contractual conditions by means of multilingual documents and via our service hotline in Turkish.

Digital coronavirus care package for senior citizens

Together with the Digital Opportunities Foundation, we have been championing greater digital participation among senior citizens for almost ten years. With the project "Digital mobil im Alter" (Digitally mobile in old age), 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. "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 arrival of the coronavirus pandemic illustrated how important access to digital media is for the older generations in particular. For this reason, the Telefónica Deutschland Group with its core brand O₂, the Digital Opportunities Foundation and the partners Emporia and Huawei designed a digital care package at the beginning of the crisis which was specifically tailored to the needs of elderly people. We offered this package again in the year under review. With this package, we not only help senior citizens stay in touch with friends and family – we also make it easier for them to access important

information and services. This helps to prevent them from losing touch with the outside world and aids them in making their lives self-determined.

Specially trained O_2 helpers are available over the phone to answer senior citizens' questions and offer them advice on all topics relating to mobile phones and tablets. The partners loan smartphones and tablets to old people's facilities and organisations that feature pre-installed apps which are especially helpful in the crisis situation. Equipped with these devices, the senior citizens can, for example, communicate via video chat, check the current pandemic situation, shop online, make use of entertainment services, play games and train their mental skills.

To optimally prepare the trainers of senior citizens for their placements in old people's facilities, we conducted webinars in addition to offering them training materials on the guide. Telefónica Deutschland Group employees were likewise able to participate in a webinar and in-person workshops as part of our 2021 volunteering programme, to learn how best to accompany the elderly as they take their first steps in the digital world. We supported various interest groups that champion old people's concerns by participating in specialist events and dialogue meetings such as the Brandenburg senior citizens' advocacy organisation's Akademie 2. Lebenshälfte and the Aktion Mensch symposium on the topic of digital inclusion. These approaches and challenges in promoting the digital skills of the elderly were presented in a workshop with the Soest senior citizen advisory committee, with various survey tools being tried out and a digital journey around the world being taken.

Within the scope of this project, the partners provided around 730 senior citizens in 55 facilities throughout Germany with smartphones and tablets[1] featuring SIM cards free of charge in 2021. Another important element of the "Digital mobil im Alter" programme is the teaching of skills for the safe use of digital media, such as recognising fake news (more information on this in the "Digital skills" chapter).

Reducing barriers to digital communication

We endeavour to make access to information and contract details as simple and as intuitive as possible so that everyone can contact us easily and can quickly locate general information regarding products and services as well as their own contract details. To this end, we also offer videotelephony and the digital assistance function Aura. With our digital services at o2online.de ↗, we also afford digital beginners intuitive access to contractual matters and other information. Our guide for beginners explains day-to-day digital features and technological developments to those who have previously focused on these only minimally, if at all.

To improve our services for the deaf, we set up a dedicated O_2 service number in 2021. By calling the German phone number (0)89 666 630 074, customers can contact us through the Tess Relay-Dienste sign language interpreting service and are offered swift assistance regarding mobile communications, Internet and fixed line network matters. In this way, we ensure that calls placed by deaf people are prioritised and that they can reach specially trained agents. In the future, this digital service is to be expanded with application-specific videos in German sign language and a new community for the deaf is

to be established. In the long term, we want to offer deaf customers the same first-class service experience as we offer hearing customers.

We allow the hearing-impaired to send unlimited text messages. In addition, deaf customers can use our text message emergency service to send us a text message with the prefix 329 and the fax number of their emergency contact. A specialist service provider then forwards the message by fax. Visually impaired users can have certain website content read to them aloud.

O_2 also offers devices which, with important applications conveniently already installed, make the lives of senior citizens and people with disabilities easier, such as the Android smartphone emporiaSMART.3 and the flip phone emporiaTOUCHsmart. What all of the provider's models have in common is ease of use, a simple display, compatibility with hearing devices and an emergency call function.

In terms of tariffs too, we want to expand the opportunities for senior citizens to use digitalisation simply and uncomplicatedly. Customers aged 60 and over are offered a permanent EUR 10 discount on the monthly basic fee for the current O_2 Free mobile communications tariffs. This price advantage makes it easier for this target group to opt for more data volume right from the start instead of a basic tariff. With our Video4You moving-image series, we inspire senior citizens and other customer groups to use digital media and explain things such as how to set up O_2 TV or activate a SIM card.

[1] In 50 % of cases, the tablets are also used by people close to the borrower (life partners). These second users are included in the number of senior citizens.

Facts and figures

Top
scores in
ESG ratings

100%
of our electricity is sourced
from renewable energies

Around 30%
of the population covered by 5G

60.4 points
Employee Net Promoter Score (eNPS) for
attractiveness as an employer

6.5 million
people reached with our digital skills
programmes

123

Responsible Business Plan 2025: 2021 status

Principles of governance for responsible corporate management

Transparency and dialogue

Commitment:
As a trustworthy partner, we engage in transparent dialogue with our relevant stakeholder groups.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Good dialogue with all relevant stakeholders
In 2021 physical and online events on topics in the areas of telecommunications, digitalisation and sustainability will take place at the BASECAMP and the BASECAMP ON AIR.
- We will engage in round-table discussions and talks at public conferences, entering into discussion with relevant stakeholders.
- We will discuss issues relevant to the company and society in our BASECAMP blog.
- We will also engage with our stakeholders in our social media channels.
- By the end of 2021: development and approval of Communication Regulation Policy

Demonstrate transparency and enable the CR performance of the Telefónica Deutschland Group to be assessed.
- Extensive non-financial reporting: annual production of a non-financial report and corporate responsibility report, observing legal requirements and internationally recognised reporting standards
- ESG rating management: regular participation in relevant ESG ratings

Governance

Commitment:
Corporate responsibility is firmly enshrined in all our divisions. We will manage its implementation and target attainment by means of the Responsible Business Plan 2025.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Governance for responsible corporate management (good governance)
- Approve a remuneration system that includes, among other things, ESG criteria.
- We will continuously improve our business continuity management system and will strive for external certification in accordance with ISO 22301:2019 by the end of 2021.

ISO certification postponed to 2022 due to insufficient capacities

Corporate governance for sustainability transformation (governance for good)
- Enhancing the visibility of sustainability topics within the company
- Integrating sustainability aspects into existing management systems

Target assessment of the **CR target** to a commitment

Exceeded | Fully attained | Mostly attained | Partly attained | Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained | Partly attained | Not attained

Compliance and ethical principles

Commitment:
We will act in accordance with all applicable laws, societal guidelines and values.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Certification for our compliance management system (CMS)
• We continuously improve our CMS and will strive for external certification in accordance with the IDW auditing standard 980 by the end of 2021.
• We review our internal compliance training concept regularly and continually adjust it on the basis of risk to meet operational requirements and legal obligations. By doing so, we set out to counteract compliance risks in an effective and pre-emptive manner and prevent compliance incidents in the best possible way.

Risk assessments and adaptation of management systems
• We analyse the legal obligations that apply to the Telefónica Deutschland Group in relation to money laundering and set up an internal control framework, enabling us to mitigate potential risks in the best possible way.
• We will implement relevant aspects of human rights guidance via existing company guidelines and management approaches by the end of 2022.

Projects on track

Focus on human rights
• Producing guidelines to strengthen children's rights and prevent child labour by the end of 2021
• Further developing the complaints channel for human rights and the redress process by the end of 2022

Further developing the complaints channel for human rights and the redress process is on track.

Data protection and information security

Commitment:
We work to ensure customers retain sovereignty over their data and remain the masters of their digital lives.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Data protection: expansion of the management system and dialogue
• We will further digitalise data protection management in 2021 and roll out a corresponding software solution.
• We update the Group's data protection standard with regard to current and new challenges.
• We proactively seek exchange with our stakeholders, especially with our supervisory authorities, and maintain open transparent coordination.

Group data protection standard: final consultation held in all bodies, final Management Board approval due in early Q2 2022

Information security: expansion of standards, assessments and programmes
• In the area of corporate security, we will focus on the following measures in 2021:
  • Ongoing optimisation of the existing information security management system (ISMS) in a periodic improvement cycle based on the ISO 27001:2013 standard
  • Optimisation of operational security within the framework of the Zero Impact programme
  • Implementing security assessments in the Telefónica Deutschland Group

Target assessment of the **CR target** to a commitment

Exceeded   Fully attained   Mostly attained   Partly attained   Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained   Partly attained   Not attained

Supply chain management

Commitment:
We will take sustainability criteria into account in our purchasing processes and be dedicated to environmental, social and, above all, human rights standards throughout our supply chain.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Transparency: risk analysis and monitoring
• If necessary, conduct human rights risk analyses within certain product groups (ongoing).
• Develop and implement measures in connection with the results of the human rights risk analysis for services and works by the end of 2022.

Projects on track

Harmonisation: consultation and policies
• Harmonisation of sustainability controls between MCT and non-MCT (by 2023), target: 100% of purchasing processes are to be covered by the Supply Chain Sustainability Policy
• Preparation and implementation of the procedural instructions concerning the Supply Chain Sustainability Policy (2021)
• 2021: establish company-wide processes and structures to ensure compliance with Germany's planned Supply Chain Due Diligence Act (LkSG).

• Harmonisation will initially be effected at the Telefónica S.A., Group level and has not yet been adapted for the Telefónica Deutschland Group.
• Preparation of the procedural instructions was begun and these are to be implemented by the end of 2023 at the latest.
• The complexity and application of the LkSG requires this target to be extended into 2022.

Climate and the environment

Energy and CO_2

Commitment:
We will use the options offered by digitalisation in all areas to reduce energy consumption and avoid carbon emissions.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

We will achieve net zero carbon emissions by 2025 at the latest.
• Steering the company-wide process to achieve net zero carbon emissions by 2025
• Increase the quality of green electricity:
  • we will continue to purchase 100% green electricity and further develop our green electricity strategy in 2021.
  • develop a power purchase agreement (PPA) strategy in 2021.
• Power generation from renewable energy sources: pilot projects at selected sites in 2021
• Offsetting of unavoidable emissions (Scopes 1 and 2): 20% of unavoidable emissions will be offset in 2021.
• Vehicle fleet 50/75% (partially) electrified by 2025:
  • developing a concept and starting to implement a charging infrastructure for electric cars and hybrids at office sites in 2021
  • equipping all electric cars and hybrids in the vehicle fleet with electronic fuel and charging cards in 2021 to enable the use of public electric charging facilities

Target assessment of the **CR target** to a commitment

Exceeded	Fully attained	Mostly attained	Partly attained	Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained	Partly attained	Not attained

We will give energy efficiency top priority and reduce our energy consumption per data volume by 82 % by 2025 compared with 2015.
- Achieving energy savings through the more energy-efficient 5G network: achieve coverage of 30 % of the population with 5G technology by the end of 2021.

Target almost attained at 29.2 % as of 31.12.2021

Energy consumption of office sites
- Conceptualisation and implementation of site consolidation in Munich, conceptualisation of site consolidation in Nuremberg
- Assessing a switch-off and potential removal of the existing UPS and emergency power systems

Assessment of a switch-off and the potential removal of existing UPS and emergency power systems postponed until the end of 2022

We will reduce carbon emissions in our supply chain by means of collaboration and optimisation.
- Developing a holistic cloud strategy for core systems, taking into account high efficiency standards and carbon dioxide minimisation
- From 2025 cloud services will either be operated directly by the provider in a climate-neutral fashion or the associated emissions will be offset in order to support the target of net zero carbon emissions by 2025.

Cloud road map has been developed; old data centres will be closed in Hamburg (end of 2021) and Munich (end of 2024)

Our products and services make a material contribution to helping our customers to reduce their personal carbon footprint.
- Developing an eco-smart strategy by 2025

Measures for this come from the circular economy concept developed in 2021.

Circular economy	2021 status
Commitment: We will align more and more aspects of our business activities with the principles of the circular economy.	

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Circular economy
- Concept development by the end of 2021

Logistics
- Half-size SIM card: preventing plastic waste – we plan to supply 6.8 million half-size SIM cards to customers/partners in 2021.
- Recycling of DSL routers: we plan to refurbish 78,000 DSL routers in 2021 and put them back into circulation.
- Climate-neutral shipping: climate-neutral shipping of our products (I@H and Mobile) to our customers, which has already been introduced, will become the standard delivery method from 2021 onward.
- Plastic: we will continue to promote the reduction of all kinds of plastics in logistics processes. As it is impossible to avoid plastics 100 %, we will stop using non-recycled plastic completely in our own logistics processes by 2025 at the latest.

We refurbished 77,383 DSL routers in 2021 and put them back into circulation.

Digitalising business processes
- We will further increase the proportion of online bills to approx. 91.5 % by the end of 2021 (target for 2022: 92 %) in order to promote more sustainable and paper-efficient behaviour.
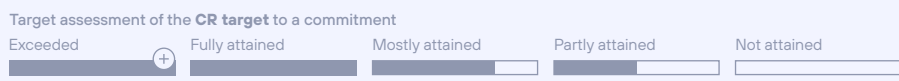
Target assessment of the **CR target** to a commitment

Exceeded	Fully attained	Mostly attained	Partly attained	Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained	Partly attained	Not attained

End customer hardware
- Introducing the new Eco Rating
- Introducing a trade-in programme for used mobile phone sets
- Continuing and expanding sales of used mobile phone sets
- Continuing to offer sustainable handsets, e.g. Fairphone
- Continuation of the waiver of automatic renewals of mobile phone set purchase contracts for hardware offers and retention of multi-year instalment purchase contracts

Office equipment
- Concept for switching consumption-based office materials to sustainable products, including first substitutions in 2021
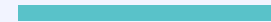
Conservation of resources
- Water-saving programme: developing a concept and assessing the opportunities for saving water at the office sites and shops

Customers and business partners

Product and service experience

2021 status

Commitment:
We will offer our customers the best value for money and service experience, and we will enable them to live their lives more sustainably.

Our operationalised CR targets and measures in detail:

2021 target

2021 target attainment

Boosting customer satisfaction
- We will continuously improve our customer service through various measures according to the needs and wishes of our customers.

Strengthening the sustainability-oriented product and service portfolio
- Developing a concept for strengthening sustainable products and services in conjunction with the relevant departments
- Developing a concept for dealing with the requirements of what is known as the EU taxonomy

Making sustainability and corporate responsibility more visible for customers
- Implementing measures and projects in 2021 to raise customer awareness of sustainability and corporate responsibility issues
- By the end of 2021: adoption of ethical guidelines for marketing communications

Target assessment of the **CR target** to a commitment

Exceeded | Fully attained | Mostly attained | Partly attained | Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained | Partly attained | Not attained

Network quality and coverage

Commitment:
We will offer our customers a modern network infrastructure and afford them network access from anywhere and at any time.

2021 status

Our operationalised CR targets and measures in detail:
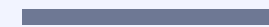2021 target

2021 target attainment

Development and roll-out of the 4G and 5G networks in line with the legal obligations;
5G coverage for 30% of the population

Target almost attained at 29.2% as of 31.12.2021

Efficient network for Germany
• Safeguarding high network quality by investing in network infrastructure as we wish to offer our customers the best network experience in Germany

Digital sustainability innovations

Commitment:
We will play a part in solving societal challenges and align digital innovations with ethical principles.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

We foster sustainable digital business ideas.
• Wayra Germany will support various start-up projects in 2021.
• Corporate responsibility/sustainability will be a focal point of Wayra Germany's scouting activities in 2021.
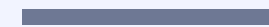
In innovative partnerships and based among other things on 5G technology, we will use the digital possibilities to make our customers' lives more sustainable and more enjoyable, for example with analysis applications for networked mobility and the reduction of fleet carbon emissions or the provision of a digital infrastructure to network intelligent measurement systems in the area of energy.

We will observe our ethical digitalisation principles when using digital tools.
• In the area of mobility insights, we work with our partners to develop solutions that enable companies and state institutions to gain an understanding of the population's mobility behaviour while strictly observing the applicable data protection regulations. With this work, we support projects which aim among other things to improve urban quality of life or actively combat the current COVID-19 pandemic.

Target assessment of the **CR target** to a commitment

Exceeded	Fully attained	Mostly attained	Partly attained	Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained	Partly attained	Not attained

Employees

Future employability

2021 status

Commitment:
We will create a framework which enables employees and executives to utilise their diverse skills in the best possible way and further develop on an ongoing basis, thereby boosting their long-term employability with future-oriented skills. Amid the ever-changing demands of the digital world, it is also particularly important to us to maintain and promote our employees' health and safety by being a responsible employer.

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Qualification and skills management
Establishing and expanding digital and data-based skills along with other relevant future skills; embedding mobility and agility in the company
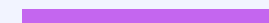
Continuation of the targets in 2022

By 2022:
• establish digital and data-based skills at the company by further expanding corresponding learning journeys.
• foster mobility by further expanding the internal mobility platform.
• specific training on experimenting with agile structures provided in a leadership journey at the extended management level; individual opportunities to strengthen agile skills are available to all executives

Leadership in the new working world
Leadership development and renewal with a shift towards independence, resource management, a focus on results, and team development, especially against the backdrop of digital and hybrid working models
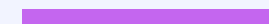
By 2022:
• establish internal mobility as standard for executives.
• facilitate specific executive development based on the requirements of the new working world.
• further improve leadership quality by means of structured assessments

Health management
The Telefónica Deutschland Group is especially concerned with providing a safe work environment and maintaining and promoting the health of all our employees. We 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 occupational health and safety, which will be assessed in this way at least once a year.
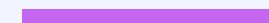
• Further development of the KPI dashboard that takes into account new requirements resulting from changes in the working world
• Further digitalisation of FEEL GOOD offerings and FEEL GOOD services, especially to meet the requirements for "Working anywhere" and "Working anytime"

Target assessment of the **CR target** to a commitment

Exceeded	Fully attained	Mostly attained	Partly attained	Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained	Partly attained	Not attained

Designing the work environment

Commitment:
We will focus on interactions founded on fairness, equal opportunity and working together as partners to jointly shape tomorrow's working world. We will see our diversity as a strength and offer new ways of working which support our employees' dedication and enable them to reconcile work with a range of lifestyles.

2021 status

Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Shaping tomorrow's working world
Consistent implementation of the 5 Bold Moves with the aim of ensuring productivity via a hybrid working model, boosting staff engagement and loyalty by offering greater flexibility, and fostering diversity through digital collaboration, making it easier to reconcile work with a range of lifestyles This is in the interests of the company and our staff. It also allows us to make a contribution to society.

By 2022:
• consistent realisation of our initiatives "Working anywhere", "Working anytime" and "Outcome-based leadership"
• consistent implementation of our initiatives "70% less internal travel" and "Digital by default"

Utilising the full potential of all employees
Strengthening engagement and utilising the diverse individual potential of all staff members, whatever their gender and generation (from young professionals to experienced co-workers aged over 50)
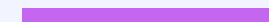
By 2024:
• establishing a talent pool for female executives suitable for development at the senior management level
• women occupying 31% of senior leadership positions (incl. Management Board) by 2022 and 33% by 2024

By 2022:
• activating a concept which enables staff aged over 50 in particular to have a second career at the company, thereby further promoting internal mobility
• expanding the data, technology and commercial elements of the Young Professional programme in addition to the ongoing options for dual studies or a traineeship, plus subsequent career opportunities at the company
• acquiring further candidates for the Young Professional Programme, trainee retention rate of 90%
• producing an anti-discrimination policy and rolling it out at the organisation
• further reduction in the gender pay gap

• With a retention rate of 71% for trainees and dual-studies students, the target of 90% had not yet been achieved in 2021.
• As of 31 December 2021 28.8% of the Senior Leadership Team (including the Management Board) was female. The target was therefore missed by 0.2 percentage points.

Responsible approach to the transformation
Acting as a responsible employer by creating an environment in which staff members enhance their long-term employability, maintain their well-being and can use the opportunities presented by digitalisation to their advantage; furthermore, utilising the potential of our employees to make a contribution to treating our environment responsibly in the digital transformation

By 2022:
• enhancing team spirit and employees' identification with the company
• improving employability by rolling out additional offerings for the development and expansion of existing skills and for upskilling
• 100% access to learning and development opportunities

Target assessment of the **CR target** to a commitment

Exceeded	Fully attained	Mostly attained	Partly attained	Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained	Partly attained	Not attained

Society and digital inclusion

Digital access

Commitment:
We will afford everyone access to the digital world by means of special offerings.

2021 status
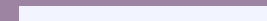
Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Access for everyone
- We will afford foreign citizens and tourists easier access to mobile communication in Germany. To this end, we will continuously expand the digital access channels and will make simplified and 24/7 digital payment methods available.
- Provide enhanced digital top-up services for our ethnic brands by the end of 2021.

Digital skills

Commitment:
We will make people fit for the digital world.

2021 status
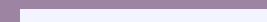
Our operationalised CR targets and measures in detail:
2021 target

2021 target attainment

Offering our customers optimum support regarding digital topics remains a key element of our service strategy.
- Digital and technical topics are covered as a matter of course in all areas to support customers in the rapidly evolving digital world.
- In conjunction with our digital assistants, our trained staff help our customers with new developments and challenges relating to the use of digital services and digital products. This is done via voice, messaging, video chats, apps and the portal.

Anti-cyberbullying initiative WAKE UP!
- We want to reach a total of 2 million people in 2021 via various measures that are part of our initiative.
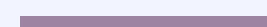
"Digital mobil im Alter" (Digitally mobile in old age) initiative
- We want to reach a total of 1.5 million people in 2021 via various measures that are part of our initiative.
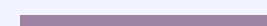
Target assessment of the **CR target** to a commitment

Exceeded | Fully attained | Mostly attained | Partly attained | Not attained

Target assessment of the **operationalised CR sub-targets** to a commitment

Fully attained | Partly attained | Not attained

GRI Management approach: Economic
performance (103-2)

Responsible Business Plan 2025: CR targets 2022

Governance principles

Mission: Our business as a digital company is based on the principles of governance for responsible corporate management, which we rigorously and systematically apply in all business processes.

Governance

Commitment: Corporate responsibility is firmly enshrined in all our divisions. We will manage its implementation and target attainment by means of the Responsible Business Plan 2025.

Strategic priorities up to 2025	2022 measures and targets
We want to further incorporate sustainability aspects into the existing management systems to enhance the visibility of sustainability topics within the company.	• ESG risk management: concept development and implementation
The EU taxonomy gives us the opportunity to further hone our profile as a sustainable telecommunications provider. We will incorporate the requirements of the EU taxonomy into our corporate strategy and the reporting requirements into our reporting systems.	• Incorporation of taxonomy requirements into the company's strategic decision-making processes • Implementation of the reporting requirements in the reporting systems
As a company that provides Germany with connectivity, the resilience of our business activities is essential. We have therefore established a business continuity management system.	• External certification of the business continuity management system in accordance with ISO 22301:2019 by the end of 2022

Transparency and dialogue

Commitment: As a trustworthy partner, we engage in transparent dialogue with our relevant stakeholder groups.

Strategic priorities up to 2025	2022 measures and targets
We will focus on transparent communication and dialogue to strengthen and broaden our relations with our stakeholders and find out more about their needs. To this end, we will offer them attractive events, dialogue and information formats, and campaigns.	• Conducting stakeholder events covering various strategic sustainability topics • Discussing issues relevant to the company and society in our company blog
We want to afford our stakeholders a comprehensive overview of our sustainability performance and therefore report on our business activities and our ESG performance transparently and openly.	• Annual production of a non-financial report and corporate responsibility report, observing legal requirements and internationally recognised reporting standards • Regular participation in relevant ESG ratings • Conducting talks with stakeholders regarding our sustainability activities (ESG roadshows)

GRI Management approach: Economic
performance (103-2)

Compliance and ethical principles

Commitment: We will act in accordance with all applicable laws, societal guidelines and values.

Strategic priorities up to 2025	2022 measures and targets
To effectively and pre-emptively tackle compliance risks and prevent compliance incidents as best we can, we will regularly review our internal compliance training concept and continually adapt it to the operational needs and legal requirements based on the risks. We will strengthen the visibility and awareness of compliance topics in the company with target-group-specific and needs-based information offerings. We will complement our compliance management system with compliance processes and measures (compliance on demand).	• Review and, if necessary, adaptation of the training concept • Intranet posts, holding of information events and campaigns for the employees • Digital compliance measures
We will enshrine ethical principles in our day-to-day work activities.	• Implementing relevant aspects of human rights guidance in existing company guidelines and management approaches • Further developing the human rights complaints channel and the redress process

Data protection and information security

Commitment: We work to ensure customers retain sovereignty over their data and remain the masters of their digital lives.

Strategic priorities up to 2025	2022 measures and targets
We will play our part in our customers, employees and partners being able to rest assured that their data is used responsibly by us. Our entire data protection activities will be aimed at achieving permanent compliance with the requirements and the guidelines we draw up for ourselves. We will ensure that there is careful and comprehensive data processing control by identifying material risks and regularly reviewing the audit process.	• We will further standardise the data protection process and will digitalise it to make it even faster and easier to use. • We will closely coordinate the data protection measures and focuses with the company's priorities and strategies. • Our primary objective is to not record any legal proceedings, sanctions or fines resulting from data protection violations.
The aim of efficient structures and processes is to prevent violations in the areas of data protection and information security. With our company-wide data protection management system (DPMS) and information security management system (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.	• High information security awareness among all the employees: more than 90 % of the workforce has successfully completed the online training on information security. • Our primary objective is not to record any legal proceedings, sanctions or fines as a result of security incidents.

Supply chain management

Commitment: We will take sustainability criteria into account in our purchasing processes and be dedicated to environmental, social and, above all, human rights standards throughout our supply chain.

Strategic priorities up to 2025	2022 measures and targets
For us, complying with human rights due diligence in our supply chain is a key approach to strengthening our sustainable corporate governance.	• Establishing company-wide processes and structures to ensure compliance with Germany's upcoming Supply Chain Due Diligence Act (LkSG) • Preparing procedural instructions for the Human Rights Policy (by the end of 2022) and implementing them (by the end of 2023) • Preparing procedural instructions for the Supply Chain Sustainability Policy (SCSP) (by the end of 2022) and implementing them (by the end of 2023) • Performing human rights risk analyses (ongoing) • Implementing measures in connection with the results of the human rights risk analysis for services and works • Harmonising the sustainability requirements as per the SCSP for MCT by the end of 2023 and non-MCT purchasing processes once the Telefónica, S.A. Group has created the systemic prerequisites. • 100% of all the suppliers are to have accepted the SCSP by the end of 2023. • Close to 100% of the high-risk suppliers are to be able to present an EcoVadis sustainability assessment by the end of 2024.

Climate and the environment

Mission: We will offer our customers the greenest network.

Energy and CO$_2$

Commitment: We will use the options offered by digitalisation in all areas to reduce energy consumption and avoid carbon emissions.

Strategic priorities up to 2025	2022 measures and targets
To contribute to decarbonisation, we are setting ourselves the target of achieving net zero carbon emissions. We want to continue to source 100% green electricity, further increase the green electricity quality and achieve the self-generation of electricity from renewable energy sources. By 2025 at the latest, 100% of unavoidable emissions will be offset.	• Developing the energy strategy and the long-term proportion of self-generated electricity in the electricity mix • Offsetting 40% of Scope 1 and Scope 2 emissions • Continuing to source 100% green electricity • Invitation to tender for power purchase agreements (PPAs) in 2022, with the goal of the first PPAs being concluded in 2024 • To contribute to green mobility and improve our energy efficiency, we want to (partially) electrify 75% of the Telefónica Deutschland Group's vehicle fleet by 2025 and have hybrids and electric cars account for 50% of the total fleet by the end of 2022. Examination of the feasibility of creating a charging infrastructure for electric cars and hybrids.
To further develop our network even more sustainably, we will focus on energy efficiency and will endeavour to reduce our energy consumption per data volume by 87% compared with 2015. To achieve this, we will not only install an efficient 5G network in the next few years – we will also upgrade our existing systems in line with the latest technology on an ongoing basis.	• Increase in network energy efficiency to 79.4% • Energy savings due to the expansion of the more energy-efficient 5G network • Implementing measures in 2022 to improve space efficiency and energy savings at office sites • Switching to appliances with greater energy efficiency whenever replacement purchases are made

We have our sights set on lowering carbon emissions all along the supply chain. We want to reduce carbon emissions in our supply chain by means of collaboration and optimisation. We additionally see our products and services as a lever with which to lower the customers' carbon emissions.

- From 2025 cloud services will be operated in a climate-neutral fashion or the associated emissions will be offset in order to support the Telefónica Deutschland Group's target of net zero carbon emissions by 2025.
- Developing an eco-smart strategy
- Analysing the supply chain emissions and reducing Scope 3 carbon emissions by 39% in 2025 in comparison to 2016 and achieving net zero carbon emissions in 2040

Circular economy

Commitment: We will align more and more aspects of our business activities with the principles of the circular economy.

Strategic priorities up to 2025	2022 measures and targets
To reduce our ecological footprint, we will align our product range composition and the design of our own-brand products with the principles of a resource-conserving circular economy and will promote among other things the reuse and recycling of mobile devices. By 2025 we will have increased the return rate for mobile devices.	• Continuing to offer sustainable mobile phones and also expanding and scaling up sustainable mobile phone buyback between 2022 and 2024; boosting the voluntary participation of manufacturers in the Eco Rating • Refurbishment of 80,000 routers and also smartphones, and returning them to our customers • Supplying half-size SIM cards and rolling out the eco SIM card, which is made of 100% recycled plastic • Climate-neutral product shipping to our customers, which was introduced in 2020, will be continued as the standard method of shipping in 2022.
We will optimise our material usage in day-to-day business to conserve resources. The recycling rate for operational waste is to be increased to 98% at all shops and office sites by 2025.	• We will continue to promote the reduction of all kinds of plastics in logistics processes. We will stop using non-recycled plastic completely in our own logistics processes by 2025 at the latest. • Procurement of sustainable consumption and office materials • We will increase the proportion of online bills (2022 target: 92%) in order to promote more sustainable and paper-saving behaviour. • Water consumption reduction and water-saving programme: evaluation of the possibilities of saving water at the office sites; information on raising awareness in the shop manual, the target is to achieve 5% water savings compared with 2019
The recycling rate for network-related waste is to be increased to 98% by 2025.	• Development of the recycling rates in collaboration with our technical service providers in the course of general reporting on waste (ISO 14001)
To expedite the development of more environmentally friendly products, we want to further expand our sustainability-oriented product and service portfolio.	• We will implement the concept of the circular economy in collaboration with the relevant departments by the end of 2022.

GRI Management approach: Economic
performance (103-2)

Customers and business partners

Mission: We will offer our customers products and services which support a sustainable lifestyle.

Product and service experience

Commitment: We will offer our customers the best value for money and service experience, and we will enable them to live their lives more sustainably.

Strategic priorities up to 2025	2022 measures and targets
We will accompany and enhance our customers' digital lives. Using ongoing quality measures and lean processes, we will ensure excellent service across all channels and will serve our customers as a one-stop shop for advice regarding their entire household.	• Boosting of customer satisfaction by means of concrete improvement measures
Customer loyalty is one of our strategic priorities. We will convince our customers with the best value for money, very good service, our network and a broad product portfolio that optimally addresses the customers' needs and wishes.	• Measures to boost customer satisfaction and minimise the customer churn rate
To offer our customers even better support in their use of digital services and products, we will further develop our service strategy, will increasingly use digital assistants and tools to complement our trained employees and will strengthen the digital sales channels.	• Tutorials and blogs covering service topics • Measures to further develop the service strategy

Network quality and coverage

Commitment: We will offer our customers a modern network infrastructure and afford them network access from anywhere and at any time.

Strategic priorities up to 2025	2022 measures and targets
We will provide our customers with a fast, modern and efficient network to guarantee access to the digital world. We will systematically invest in our network infrastructure and and will endeavour to supply close to 100% of the population with 5G by 2025.	• 5G coverage for 50% of Germany's population • Expansion of the 4G and 5G network in accordance with the legal obligations • Safeguarding high network quality by investing in network infrastructure to offer the best network experience in Germany

Digital sustainability innovations

Commitment: We will play a part in solving societal challenges and align digital innovations with ethical principles.

Strategic priorities up to 2025	2022 measures and targets
We want to take advantage of digital opportunities for sustainability together with our B2B customers, among other things with smart devices, contributing to the digitalisation of the energy transition, networked mobility and the possibilities of the new mobile communications standard 5G.	• Developing new solutions and conducting various projects on the topics mentioned
It takes innovations to advance a sustainable economy and society. We therefore promote start-ups every year together with Wayra Germany, including start-ups that use an innovative solution to champion a material sustainability topic.	• Promotion of start-up projects by Wayra Germany, at least three of which are managed by women in order to increase gender diversity in the German start-up ecosystem. Sustainability is also a focal issue, with the aim of supporting at least one start-up every year up to 2025 which tackles important sustainability topics.

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GRI Management approach: Economic
performance (103-2)

Employees

Mission: We will advance tomorrow's digital working world as an attractive employer.

Future employability

Commitment: We will create a framework which enables employees and executives to utilise their diverse skills in the best possible way and further develop on an ongoing basis, thereby boosting their long-term employability with future-oriented skills. Amid the ever-changing demands of the digital world, it is also particularly important to us to maintain and promote our employees' health and safety by being a responsible employer.

Strategic priorities up to 2025	2022 measures and targets
For the purposes of employee qualification and further developing the skills of our staff, we intend to continue to offer them 100 % access to further development and learning.	• Continuation of the existing learning opportunities that offer 100 % access to digital learning and ongoing development of the learning and development opportunities for employees
There are to be at least 50 rotations a year by 2025 in order to promote the development of executives and employees. The mobility figures and the employees' assessments of their own skill sets in employee surveys are to at least be kept constant at the 2021 levels up to 2025.	• Creation of additional options for mobility and career diversity
90 % of the employees are to have participated in digital and data-based further training by 2025 in order to actively promote the development and enhancing of relevant future skills.	• Start of the agile learning journey • Continuation of existing/launch of new digital and data-based further training
We will offer a safe work environment, maintain and promote our employees' health and advance the digitalisation of our services for comprehensive health management.	• Transition from analogue to digital teaching formats (web-based training)

Designing the work environment

Commitment: We will focus on interactions founded on fairness, equal opportunity and working together as partners to jointly shape tomorrow's working world. We will see our diversity as a strength and offer new ways of working which support our employees' dedication and enable them to reconcile work with a range of lifestyles.

Strategic priorities up to 2025	2022 measures and targets
We will champion diversity and want to increase the proportion of women in senior leadership positions to 33 % by 2024.	• Launch of a new programme for greater career diversity • Proportion of women in senior leadership positions by the end of 2022: 31 %
We will contribute to gender equality with our neutral and objective remuneration structures. We will endeavour to further reduce the gender pay gap (global target: GPG of < 1 %).	• Measures to boost gender diversity and promote the reconcilability of private and professional life
To utilise the full potential of all employees, we will promote engagement and will utilise the diverse individual potential of all staff members, whatever their gender, generation, career level or stage in life.	• Continued implementation of the 5 Bold Moves • Continued heavy investment in further development, learning and mobility to enable all employees to develop relevant future skills and long-term employability • Expansion of the Young Professional Programme

We want to offer all employees even greater support in reconciling their private and professional lives in order to maintain our attractiveness as an employer. Here, we will continue to endeavour to achieve very good results in employee surveys regarding the perception of the balance between professional and private life (measured in the employee survey) coupled with a positive influence on productivity as well as a quota of at least 30 % of the workforce that engages in voluntary work.

- Creation of additional mobility and further development offerings for all age groups and stages in life
- Volunteering measures in harmony with the purpose of the Telefónica Deutschland Group
- Continued implementation of the 5 Bold Moves

Society and digital inclusion

Mission: We will facilitate participation in the digitalised world by affording people access and skills.

Digital skills

Commitment: We will make people fit for the digital world.

Strategic priorities up to 2025	2022 measures and targets
We want to make 15 million people fit for the digital world by 2025 and are focusing on a diverse array of initiatives and programmes to this end.	• Involving 150,000 people in social programmes for the old and young and reaching/inspiring 2.5 million people • Evaluation and expansion of the offerings for senior citizens, strengthening dialogue with experts and tying all the offerings in with communication of the anniversary of "Digital mobil im Alter" (Digitally mobile in old age) • We will continue with WAKE UP! measures for children and young people and will expand these in terms of their content and technology. • Evaluation and expansion of the offerings on the online advice platform of the association Cybermobbing-Hilfe e. V. • Updating our Internet guide and greater correlation with our communication on youth protection

Digital access

Commitment: We will afford everyone access to the digital world by means of special offerings.

Strategic priorities up to 2025	2022 measures and targets
We want to provide people in rural areas with stable and fast internet access and are focusing on expanding coverage in Germany's rural regions.	• Continuing our partnerships for the largest broadband presence in Germany • Expansion of the 4G and 5G network in rural areas
We would like to further expand our services for various target groups, including senior citizens, people with disabilities and small entrepreneurs.	• Relevant offers for all customers and all age groups, taking into account the optimisation of services for people with disabilities, e.g. O₂ service hotline for hearing-impaired customers and advice via video, special offers for SOHO customers and start-ups. • Strengthening of ethnic brands through digital top-up services

Table of key figures

Economic	Unit	2017	2018	2019	2020	2021
Revenues	EUR million	7,296	7,320	7,458	7,532	7,765
Payments to employees – personnel expenses[1]	EUR million	642	610	592	611	585
Sites with certificates for quality (DIN EN ISO 9001), the environment (DIN EN ISO 14001) and energy (DIN EN ISO50001)	%	100	100	100	100	100
Customers: total number of connections	Thousands	47,604	47,089	48,258	48,805	50,219
Customers: mobile connections	Thousands	43,155	42,819	43,827	44,275	45,694
Total number of mobile-communication locations[2]	Number rounded	32,000	38,000	34,000	31,000	30,700
5G population coverage (3.6 GHz, DSS/1,800 MHz, 700 MHz)[3]	Number rounded	n.a.	n.a.	n.a.	n.a.	30
Churn rate of the O_2 brand: (O_2 consumer postpaid)[4]	%	1.5	1.4	1.3	1.1	0.9

Supply chain[5]	Unit	2017	2018	2019	2020	2021
The figures here and in the report comprise the volume and number of orders placed by the Telefónica Deutschland Group that are processed via Telefónica Global Services GmbH (TGS) (MCT suppliers). The figures include all the orders up to 31 December of the financial year in question, irrespective of their processing date. All the latest ACM (ACM is a purchasing tool used to manage the purchasing processes) data is taken into account.						
Purchase volume	EUR million	3,329	3,828	3,303	4,093	4,529
Purchasing volume with suppliers in Germany	EUR million	2,245	2,373	2,161	2,193	2,604
Suppliers	Number	736	714	682	752	760
Suppliers in Germany	Number	608	586	561	598	600
% country suppliers	%	83	82	82	80	79
Suppliers who have accepted our anti-corruption declaration[6]	%	0	98	98	99	100
Proportion of purchasing suppliers that have accepted the Supply Chain Sustainability Policy[7]	%	n.a.	n.a.	n.a.	100	100
Proportion of volume of domestic suppliers	%	67	62	65	54	58
Number of supplier assessments (SuMa)	Number	56	48	44	54	49
Suppliers identified as potential high-risk suppliers in terms of sustainability[8]	Number	101	85	68	67	59

[1] Personnel expenses include wages and salaries, social security, pensions and restructuring expenses.
[2] The number of sites comprises only sites without directional radio connections (directional radio repeaters), base station controller (BSC)/radio network controller (RNC) sites.
[3] The selected population-based evaluation does not only include the household-based coverage calculation with fixed location reference as reported to Germany's Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur). It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and at their place of work (maximum population). In this way, the Telefónica Deutschland Group takes into account that services are not only demanded stationary at the place of residence, but also while on the move.
[4] From this reporting year, we will report the churn rate of the O_2 brand (O_2 consumer postpaid customers), which is more relevant to the material topic of customer satisfaction.
[5] The historical supplier data for the financial years 2017 to 2020 was later corrected slightly (less than 1%) due to adjustments relating to the companies belonging to Telefónica Deutschland Holding AG. Telefónica Global Roaming, Telefónica Global Services and Telxius Towers Germany GmbH headquartered in Germany are now no longer included in the figures as they are not Telefónica Deutschland Holding AG companies.
[6] Concerns all new suppliers commissioned with work in the year under review
[7] As contractual partners, all new suppliers are obliged to accept the Supply Chain Sustainability Policy.
[8] We adapted the analysis method in 2021 in order to focus on the suppliers who have a material influence on the company's business and strategy. By the same token, this has an impact on the additional following indicators.

GRI 102-9; 204-1; 102-48; 205-2; 406-1; 412-2; 415-1; 417-3

UNGC Principles 6, 10

Supply chain

Supply chain	Unit	2017	2018	2019	2020	2021
% of potential high-risk suppliers that underwent external sustainability assessment (EcoVadis)	%	n.a.	9	10	36	77
Number of potential high-risk suppliers with improvement plan	Number	n.a.	n.a.	n.a.	18	13
Proportion of potential high-risk suppliers with corrective action plan	%	n.a.	n.a.	n.a.	27	22

Compliance

Compliance	Unit	2017	2018	2019	2020	2021
Total number of cases of corruption Confirmed suspected cases that led to labour legislation or sanctioned measures	Units	0	0	0	0	0
Proportion of employees and directors given training in the Business Principles and human rights[9]	%	78.5	78.0	96.8	95.8	97.7
Hours of training on Business Principles and human rights to employees and directors in the last three years	Number	n.a.	5,625	7,630	7,390	6,870
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	0	0
Proportion of employees and directors trained on the General Act on Equal Treatment (AGG) in the past three years[9]	%	n.a.	77.8	94.5	87.4	94.9
Training hours for the AGG in the last three years	Number	n.a.	2,524	5,589	5,059[10]	5,003
Complaints about human rights violations via the reporting channel	Number	n.a.	n.a.	n.a.	0	1
Reasoned objections to advertising behaviour	Number	5	13	9	4	1
Donations to political parties	EUR	0	0	0	0	0
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act (TKG))[11]	Units	1	0	0	3	0
Penalties in the form of fines as a result of data protection violations in the reporting year	Units	0	0	0	0	0
Proportion of employees and directors trained on data protection in the reporting year[12]	%	n.a.	72.7	90.3	80.3	88.5
Training hours for data protection courses in reporting year	Number	n.a.	5,244	7,121	6,198	6,225
Reported security breaches or incidents related to information and network security[13]	Units	9	36	26	25	16
Sanctions in the form of fines paid in connection with security breaches or other network security incidents	Units	0	0	0	0	0
Proportion of employees and directors trained on information security[12]	%	n.a.	83.6	91.0	90.2	91.0
Training hours for information security courses in the last two years	Number	n.a.	4,520	5,382	5,222	4,796

[9] Proportion based on number of employees of Telefónica Germany Group but not including employees on leave, external consultants and temporary employees (staff count: 7,030; previous year: 7,717). Units of training completed in the past three years are included in the calculation. For 2021 this was 6,870 units of training completed between the reporting years 2019 to 2021.

[10] Due to a calculation error, the training hours for training on the AGG were corrected retrospectively for the reporting year 2020.

[11] Proceedings initiated during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. The three sets of proceedings mentioned for the financial year 2020 were still in progress in the current reporting year. Concluded proceedings generally lead to a penalty, a fine or abandonment of the proceedings as a result of the authority's suspicion not being borne out. Fines are reported under the indicator "penalties in the form of fines as a result of data protection violations during the year".

[12] Proportion based on the number of employees of the Telefónica Deutschland Group excluding employees on sabbatical leave and external consultants as well as temporary staff (employee base 7,030, previous year 7,717). The calculation for data protection only includes the training completed in the reporting year 2021, as this training is mandatory every year. The calculation for information security includes the training completed in the reporting years 2020 and 2021, as this training is mandatory every two years.

[13] The Telefónica, S.A. Group reports the number of data protection violations defined as "total number of high-impact relevant security or cybersecurity incidents". Going by this definition, the number to report for the Telefónica Deutschland Group is 0; according to what the Telefónica Deutschland Group terms "reportable security breaches or incidents relating to information and network security", the total is 16.

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GRI 102-8; 102-41; 405-1

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Social	Unit	2017	2018	2019	2020	2021
RepTrak Pulse® – society's perceptions of our overall performance	Points from 100	n.a.	n.a.	n.a.	64.9	69.0
Donations to not-for-profit projects[14]	EUR	426,934	240,093	175,500	111,842	186,928
Participants in the corporate volunteering programme (employees)[15]	Number	290	184	859	2,360	3,270
Time donated[16]	EUR	69,600	49,920	55,440	16,560	6,960
Participants in "Digital mobil im Alter" (Digitally mobile in old age), cumulatively[17]	Number (rounded)	2,800	4,500	32,000	47,000	75,000
Number of customers advised on digital content on the hotline[18]	Number	352,943	523,057	487,269	492,726	724,735
Number of views of our provided videos on digital and service topics[19]	Clicks (rounded to the nearest million)	1.2	0.8	1.1	3.0	3.1
People reached through anti-cyber-bullying initiatives, cumulatively	Number	n.a.	n.a.	n.a.	7,277	24,737

Employees	Unit	2017	2018	2019	2020	2021
The total number of employees is based on active and inactive salaried employees and temporary staff (incl. working students) independent of their term limitation. The holding, trainees, interns and degree candidates are excluded. Unless expressly stated, the data given always excludes 50 % of the employees from the Tchibo joint venture. There is no need for a regional breakdown of the key employee figures as Telefónica Deutschland Group staff are only employed in Germany.						
Total number of employees (PIP) at the reporting date of 31 December[20]	Number, people in place (PIP)	9,281	8,868	8,443	8,196	7,416
Total employees (FTE)	Number, full-time equivalent (FTE)	8,697	8,295	7,823	7,610	6,926
Part-time employees	Number, people in place (PIP)	1,833	1,833	1,972	1,857	1,522
Part-time employees, women	Number, people in place (PIP)	1,365	1,367	1,391	1,344	1,155
Part-time employees, men	Number, people in place (PIP)	468	466	581	513	367
Full-time employees	Number, people in place (PIP)	7,437	7,023	6,459	6,325	5,881
Full-time employees, women	Number, people in place (PIP)	2,411	2,195	1,987	1,877	1,696
Full-time employees, men	Number, people in place (PIP)	5,026	4,828	4,472	4,448	4,185

[14] The figures do not include the monetary value of time donated in the amount of EUR 6,960 (previous year: EUR 16,560).

[15] The "social days" were not factored in here in the year under review since they are not material. Employees are given the opportunity to take part in the volunteering programmes during working hours.

[16] The sum in euros is derived from the voluntary work performed by employees as part of "social days" multiplied by eight hours per social day and at an hourly rate of EUR 30. In 2021 we recorded 29 social days in the system; these were integrated into the calculation for the time donated. The majority of the 3,270 volunteers were not recorded under time donated as their engagement took place during regular working hours.

[17] The calculation is partly based on projections. Since 2020 the figure has comprised the total number of website visitors, downloads of handouts and guides, visitors of live and online events and a quota of 50 % of all podcast streams and views of the explanatory videos. Regarding tablet loans, approximately 50 % of the 387 tablets loaned to individuals were additionally used by another person.

[18] The designation of this indicator from last year, "number of people informed and inspired by the hotline Gurus", was changed in the year under review.

[19] The designation of this indicator from last year, "contacted video Gurus", was changed in the reporting year since we no longer use the term "Guru".

[20] Total employees incl. 50 % of employees from Tchibo joint venture

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Employees	Unit	2017	2018	2019	2020	2021
Salaried employees with an open-ended contract	Number, people in place (PIP)	8,174	7,834	7,595	7,448	6,867
Salaried employees with an open-ended contract, women	Number, people in place (PIP)	3,299	3,114	3,040	2,935	2,664
Salaried employees with an open-ended contract, men	Number, people in place (PIP)	4,875	4,720	4,555	4,513	4,203
Temporary employees	Number, people in place (PIP)	1,096	1,022	836	734	536
Temporary employees, women	Number, people in place (PIP)	477	448	338	286	187
Temporary employees, men	Number, people in place (PIP)	619	574	498	448	349
Employees with disabilities	Number	283	288	295	307	261
Apprentices and dual students[21]	Number	82	72	101	117	137
Takeover rate after completion of training	%	0	96	63	81	71
Employee Net Promoter Score (eNPS) / employer attractiveness	Score	67.0	74.0	21.5	53.8	60.4
Response rate of the annual global employee survey	%	68	71	79	77	77
Nationalities of employees	Number	76	74	78	75	67
Women in the workforce	Number	3,776	3,562	3,378	3,221	2,851
Share of women in the workforce	%	40.7	40.2	40.1	39.4	38.5
Total number of board members (Supervisory Board)	Number	16	16	16	16	16
Total number of senior managers (Valora), 1st reporting level (incl. Management Board)	Number	53	55	56	54	52
Female senior managers (Valora), 1st reporting level (incl. Management Board)	Number	8	12	13	15	15
Share of female senior managers (Valora), 1st reporting level (incl. Management Board)	%	15.0	21.8	23.2	27.8	28.8
Total number of senior managers (Valora), 1st reporting level (excl. Management Board)	Number	45	47	49	47	45
Female senior managers (Valora), 1st reporting level (excl. Management Board)	Number	6	10	11	13	13
Share of female senior managers (Valora), 1st reporting level (excl. Management Board)	%	13.3	21.3	22.4	27.7	28.9
Female members on the Management Board (PIP)	Number	2	2	2	2	2
Share of female members of the Management Board	%	25.0	25.0	28.6	28.6	28.6
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)	%	76	77	78	79	81
Difference in salaries for men and women in senior management: percentage of women's average salary compared with average for men	%	104	100	102	91	90
Difference in salaries for men and women in middle management: percentage of women's average salary compared with average for men	%	80	83	84	85	91
Difference in salaries for men and women in the rest of the workforce: percentage of women's average salary compared with average for men	%	80	80	81	82	82

[21] 12 trainees started employment with us in the commercial and technical training areas last year. 71 % of those who completed their training in 2021 were taken on.

GRI 102-8; 401-1; 401-3; 405-1; 405-2

UNGC Principles 3, 6

Employees	Unit	2017	2018	2019	2020	2021
Average age of employees Detailed breakdown by age and gender on p. 87	Years	39.7	40.1	40.9	41.7	42.4
Female employees < 30	Number	636	580	471	389	306
Male employees < 30	Number	806	713	620	523	420
Female employees aged 30–34	Number	569	652	592	496	413
Male employees aged 30–34	Number	877	840	715	672	556
Female employees aged 35–44	Number	1,183	1,299	1,258	1,250	1,126
Male employees aged 35–44	Number	1,873	1,826	1,720	1,672	1,507
Female employees aged 45–54	Number	689	723	736	742	711
Male employees aged 45–54	Number	1,486	1,530	1,555	1,563	1,486
Female employees >= 54	Number	252	308	321	344	295
Male employees >= 54	Number	294	385	443	531	583
Average seniority of employees	Years	8.7	9.4	10.2	10.9	11.8
Participants in training courses for education and further training[22]	Number	n.a.	n.a.	n.a.	12,852	8,037
Training hours for education and training	Number	n.a.	n.a.	160,706	82,747	130,326
Average number of hours for education and training per year and employee[23]	Number	n.a.	n.a.	19	11	17
Total expenditure on employee training and professional development	EUR million	6.3	7.6	8.1	8.1	8.5
Staff turnover The basis is the number of employees who left over the period from 31 December 2020 to 30 December 2021/mean PIP value at the five reporting dates 31 December 2020, 31 March 2021, 30 June 2021, 30 August 2021 and 31 December 2021. There is a detailed breakdown by age and gender on p. 87.	Number	1,633	1,273	1,208	917	1,320
Staff turnover (%)	%	17.4	14.1	14.0	11.1	16.9
Staff turnover of female employees aged < 30	Number	234	198	208	157	154
Staff turnover of female employees aged < 30 (%)	Number	14.3	15.6	17.2	17.1	11.7
Staff turnover of male employees aged < 30	Number	336	263	244	211	174
Staff turnover of male employees aged < 30 (%)	Number	20.6	20.7	20.2	23.0	13.2
Staff turnover of female employees aged 30–34	Number	93	110	72	54	78
Staff turnover of female employees aged 30–34 (%)	Number	5.7	8.6	6.0	5.9	5.9
Staff turnover of male employees aged 30–34	Number	159	153	169	89	127
Staff turnover of male employees aged 30–34 (%)	Number	9.7	12.0	14.0	9.7	9.6
Staff turnover of female employees aged 35–44	Number	209	155	126	97	160
Staff turnover of female employees aged 35–44 (%)	Number	12.8	12.2	10.4	10.6	12.1
Staff turnover of male employees aged 35–44	Number	247	192	172	118	211

[22] The 2021 number refers to the total learners from the company, while for 2020 attendance at various educational institutions was counted. To avoid double counting, we have changed the calculation to that effect and the figure is not comparable with that of the previous year. The expanded digital offering allowed for training time to be increased significantly.
[23] The calculation for the 2021 reporting year was based on the average staff count for the current year under review (PIP in 2021: 7,779) of the Telefónica Germany Group including its subsidiaries and employees on leave, but not including external consultants and temporary staff.

GRI 102-8; 401-1; 401-3; 405-1; 405-2

UNGC Principles 3, 6

Employees	Unit	2017	2018	2019	2020	2021
Staff turnover of male employees aged 35–44 (%)	Number	15.1	15.1	14.2	12.9	16.0
Staff turnover of female employees aged 45–54	Number	91	56	48	52	86
Staff turnover of female employees aged 45–54 (%)	Number	5.6	4.4	4.0	5.7	6.5
Staff turnover of male employees aged 45–54	Number	165	86	94	64	147
Staff turnover of male employees aged 45–54 (%)	Number	10.1	6.8	7.8	7.0	11.1
Staff turnover of female employees aged >= 55	Number	39	34	42	40	106
Staff turnover of female employees aged >= 55 (%)	Number	2.4	2.7	3.5	4.4	8.0
Staff turnover of male employees aged >= 55	Number	60	26	33	35	77
Staff turnover of male employees aged >= 55 (%)	Number	3.7	2.0	2.7	3.8	5.8
New employees The basis is respectively the number of new entries over the period from 1 January to 31 December of the relevant financial year. There is a detailed breakdown by age and gender on p. 87.	Number	1,405	857	768	652	530
New employees (%)	%	21.5	9.5	9.0	7.9	6.8
New female employees aged < 30	Number	397	193	196	157	127
New female employees aged < 30 (%)	Number	28.3	22.5	25.5	24.1	23.9
New male employees aged < 30	Number	89	270	263	221	153
New male employees aged < 30 (%)	Number	6.3	31.5	34.2	33.9	28.8
New female employees aged 30–34	Number	144	48	38	31	35
New female employees aged 30–34 (%)	Number	10.2	5.6	4.9	4.8	6.6
New male employees aged 30–34	Number	87	112	89	79	68
New male employees aged 30–34 (%)	Number	6.2	13.1	11.6	12.1	12.8
New female employees aged 35–44	Number	143	49	45	28	31
New female employees aged 35–44 (%)	Number	10.2	5.7	5.9	4.3	5.8
New male employees aged 35–44	Number	39	89	76	76	70
New male employees aged 35–44 (%)	Number	2.8	10.4	9.9	11.7	13.2
New female employees aged 45–54	Number	59	25	19	15	16
New female employees aged 45–54 (%)	Number	4.2	2.9	2.5	2.3	3.0
New male employees aged 45–54	Number	33	48	27	27	22
New male employees aged 45–54 (%)	Number	2.3	5.6	3.5	4.1	4.1
New female employees aged >= 55	Number	92	12	8	7	2
New female employees aged >= 55 (%)	Number	6.5	1.4	1.0	1.1	0.4
New male employees aged >= 55	Number	92	11	7	11	6
New male employees aged >= 55 (%)	Number	6.5	1.3	0.9	1.7	1.1
Voluntary exits (voluntary rotation index)[24]	%	9.7	9.6	9.6	7.5	6.9

[24] The definition of voluntary exits changed in the financial year 2020. In addition to employee resignations, voluntary exits have since then also included, for example, the end of fixed-term employment, (early) retirement and an employee's death. The figures for 2017 to 2019 have been adjusted accordingly.

GRI 102-8; 401-3

UNGC Principles 3, 6

Employees	Unit	2017	2018	2019	2020	2021
Forced leaves	%	n.a.	n.a.	n.a.	3.6	10.0
Employees who have taken parental leave Women with multiple entries were counted as one instance of parental leave in each case, men with two entries were classed as one instance of parental leave, and decisions were made on a case-by-case basis regarding more than two entries for men. Part-time employees on parental leave are classed as active employees.	Number	685	663	578	535	496
Employees who have taken parental leave (women)	Number	488	472	393	368	327
Employees who have taken parental leave (men)	Number	197	191	185	167	169
Employees who returned to work after parental leave	Number	350	372	325	296	291
Employees who returned to work after parental leave (women)	Number	184	205	158	148	140
Employees who returned to work after parental leave (men)	Number	166	167	167	148	151
Percentage of employees who returned to work following parental leave	%	92.0	97.0	93.4	97.0	97.3
Percentage of employees who returned to work following parental leave (women)	%	89.0	94.0	88.3	94.9	94.6
Percentage of employees who returned to work following parental leave (men)	%	95.0	100.0	98.8	99.3	100.0
Employees who returned to work after parental leave and who were still in their jobs 12 months after returning. The figures comprise those employees who returned from parental leave the previous year and who were still employed by the company 12 months after returning.	Number	355	320	312	291	256
Employees who returned to work after parental leave and who were still in their jobs 12 months after returning (women)	Number	171	165	161	141	118
Employees who returned to work after parental leave and who were still in their jobs 12 months after returning (men)	Number	184	155	151	150	138
Percentage of employees who stay in job following parental leave	%	92.0	81.0	83.4	88.2	90.5
Percentage of employees who stay in job following parental leave (women)	%	88.0	77.0	78.2	86.0	88.7
Percentage of employees who stay in job following parental leave (men)	%	95.0	87.0	89.9	90.4	92.0

Health protection and occupational safety	Unit	2017	2018	2019	2020	2021
Absenteeism rate (%) (Number of lost days resulting from workplace accidents and other illnesses/ total number of workdays in year) x 100	%	5.7	7.2	6.9	5.9	4.9
Absenteeism rate (women)	%	7.4	8.9	8.5	7.4	6.3
Absenteeism rate (men)	%	4.7	6.0	5.8	5.0	4.0
Lost days recorded due to any form of incapacity to work	Number	125,570	161,745	147,215	122,589	95,024
Lost days recorded due to any form of incapacity to work (women)	Number	62,464	80,895	73,025	60,782	47,687
Lost days recorded due to any form of incapacity to work (men)	Number	63,106	80,850	74,190	61,807	47,337

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	Unit	2017	2018	2019	2020	2021
Accident rate[25] (Number of workplace accidents/total number of working hours in year) x 200,000	Rate	0.8	0.6	1.0	0.8	0.3
Accident rate (women)	Rate	0.7	0.6	1.0	0.9	0.3
Accident rate (men)	Rate	0.9	0.6	1.1	0.7	0.4
Workplace accidents resulting in lost days[26]	Number	73	53	88	62	25
Workplace accidents resulting in lost days (women)	Number	25	22	34	28	8
Workplace accidents resulting in lost days (men)	Number	48	31	54	34	17
Rate of lost days due to workplace accidents (Lost days resulting from workplace accidents/total number of working hours in year) x 200,000	Rate	9.6	9.1	20.2	11.4	9.6
Rate of lost days due to workplace accidents (women)	Rate	5.2	10.0	19.2	11.7	6.5
Rate of lost days due to workplace accidents (men)	Rate	12.3	8.4	20.8	11.3	11.6
Lost days recorded due to workplace accidents[27]	Number	840	813	1733	945	749
Lost days recorded due to workplace accidents (women)	Number	178	363	661	382	196
Lost days recorded due to workplace accidents (men)	Number	662	450	1072	563	553
Number of work-related illnesses	Number	0	0	0	0	0
Number of work-related fatalities due to an occupational accident or occupational disease (based on local legislation, regulation and standards)	Number	0	0	0	0	0
Occupational health and safety committees[28] (occupational safety committee meetings and health forums)	Number	62	21	22	19	18
Hours of training in health protection and occupational safety	Number	4,505	10,025	11,353	9,077	11,260
Medical examinations performed	Number	538	538	477	173	243

Environment

	Unit	2017	2018	2019	2020	2021
Energy and CO$_2$ emissions						
Total energy consumption Detailed breakdown on p. 101	GWh	791	778	727	736	755
Total electricity consumption The figure for electricity consumption equals the volumes actually billed per electricity consumption point and, in some cases, forecasts of the volumes consumed.	GWh	752	746	696	710	732
of which by the network and data centre[29]	GWh	722	715	668	686	711
of which by offices, shops, call centres	GWh	30	31	28	24	21
Total fuel consumption 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 Telefonica Deutschland Group.	GWh	39	32	31	26	23

[25] The method used to determine workplace accidents changed in the 2019 reporting year, meaning it is therefore not possible to directly compare these with the figures for 2017 and 2018.
[26] As far as registered workplace accidents were concerned, the overwhelming majority of these were sustained on the journey to or from work. The goal of preventing workplace accidents and work-related ill health as well as promoting our employees' health using targeted measures is founded on the applicable laws and the regulations of the employers' liability insurance association as well as the targets pursuant to the "Handbuch integriertes Arbeitsschutz- und Gesundheitsmanagement" (Integrated occupational health and safety management manual), which is based on the DIN EN ISO 45001:2016 standard.
[27] 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.
[28] The high number of occupational safety committee meetings in 2017 is due to a change in the counting method in 2017. All meetings were counted at the level of the local works council regions. Since 2018 only the number of committees has been counted.
[29] Network electricity consumption equals the number of mobile communication and fixed line locations multiplied by an average electricity consumption figure per location. This was determined on the basis of historical consumption data. In the future, the values actually measured by smart meters will replace the figures generated statistically here.

Environment	Unit	2017	2018	2019	2020	2021
Energy intensity – energy consumption per data volume The energy intensity equals the energy consumption divided by the data volume in petabytes.	GWh/PB	0.25	0.22	0.17	0.12	0.09
Energy from renewable energy sources[30]	GWh	536	610	584	679	732
Proportion of total electricity consumption from renewable energy sources[30]	%	71	82	84	96	100
Proportion of green electricity in self-procured and controlled energy	%	100	100	100	100	100
Total carbon emissions (Scopes 1, 2 and 3) – market-based method[31,32] Carbon emissions (including Scope 1 and Scope 2) are claculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions. There is a detailed description on p. 103.	t CO_2eq[33]	180,614	114,509	93,470	26,720	6,266
Total carbon emissions (Scopes 1, 2 and 3) – location-based method[32,34]	t CO_2eq	420,412	378,890	342,524	292,214	274,190
Direct emissions (Scope 1) with refrigerant emissions	t CO_2eq	16,220	6,889	7,000	5,623	5,369
Indirect emissions (Scope 2) (market-based method)	t CO_2eq	157,505	101,559	81,513	20,201	581
Indirect emissions (Scope 2) (location-based method)	t CO_2eq	397,303	365,940	330,567	285,695	268,505
Other indirect emissions (Scope 3)[32]	t CO_2eq	6,889	6,061	4,957	896	316
Emissions avoided through the consumption of renewable energies	t CO_2eq	282,354	298,290	276,974	272,106	301,164
Greenhouse gas intensity The greenhouse gas intensity equals the total carbon emissions (Scope 1, 2 and 3) divided by the data volume in petabytes.	t CO_2eq/PB	130.9	108.0	79.2	47.1	33.2
Locations shared with other network operators	Number	6,719	6,260	3,219	7,064	5,057
Inspection of electromagnetic fields to guarantee the limits are not exceeded[35]	Number	4,314	4,142	4,485	6,456	6,210
Investments in and expenditure on measurement of electromagnetic fields[35]	EUR	4,323,649	2,025,000	648,458	845,888	975,271
Water						
Water consumption[36]	m³	87,156	77,685	64,730	61,600	27,200

[30] Energy from renewable energy sources comprises direct procurement and electricity procurement certified with guarantees of origin. Since 2020 the calculation of energy from renewable energy sources has included green electricity from network and IT infrastructure used together with other companies, in addition to the volume of green electricity sourced by the Telefónica Deutschland Group.

[31] For the market-based method, 588.83 g CO_2 per kWh is used (source: Association of Issuing Bodies (AIB), European residual mixes 2020). Information on the location-based method can be found in the table of key figures.

[32] Scope 3 emissions: other indirect emissions due to business travel (flights and rail travel). The emissions per km for flights and rail travel for the years 2019 to 2021 were calculated with emission factors applied Group-wide (source: UK government GHG conversion factors for company reporting, 2021). There are also other Scope 3 emissions not included here. The focus at the Telefónica Deutschland Group is on business travel.

[33] CO_2eq = CO_2, CH_4, N_2O and climate-relevant refrigerant gases (F-gases)

[34] Carbon emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. The data and calculations have been verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U. A standard Germany-wide conversion factor is used to convert electricity consumption into carbon emissions, irrespective of the fact that a share of 100% (previous year: 96%) came from renewable energy sources. The Telefónica Deutschland Group uses the electricity conversion factors of the German Environment Agency (UBA) (development of specific carbon emissions in the German electricity mix during the years 1990 to 2019 and initial estimates for 2020) and thus 366 g CO_2 per kWh from the year 2020 for the calculation basis according to the location-based method in the reporting year 2021.

[35] Estimated for 2021 owing to missing official data

[36] The water consumption data for 2021 is based on projections that more specifically reflect the office restrictions during the pandemic. Due to the COVID-19 pandemic, fewer staff members were present in the offices and shops in the reporting year. The projections are based on the actual consumption in 2019 and take into account the persons present on site in 2021. The calculation was also updated compared to the previous year. The 2021 and 2020 values are rounded.

Connecting people
Reliable.sustainable.inclusive

Principles of governance for
responsible corporate management

Customers and business partners

Employees

Climate and the environment

Society and digital inclusion

Facts and figures

GRI 102-48; 301-3; 305-2; 305-3; 305-4;
306-3; 306-4; 306-5

UNGC Principles 7, 8, 9

Environment	Unit	2017	2018	2019	2020	2021
Material consumption						
Total paper consumption	t	562.6	554.9	514.7	313.7	273.4
Paper consumption (offices, shops, call centres) 100 % Blue Angel recycled paper	t	99.6	75.9	72.7	50.7	39.4
Paper consumed for customer contact (letters, envelopes, invoices)[37]	t	463.0	479.0	442.0	263.0	234.0
Share of online bills	%	86.2	88.6	88.5	91.0	91.8
Waste management						
Total waste[38] This waste is calculated as the sum of the types of waste listed below.	t	1,761.9	3,440.0	1,829.0	1,657.5	1,308.0
Electrical and electronic equipment waste from network operation and offices (e.g. antennae, outdated hardware, routers)	t	403.0	173.9	119.7	88.3	82.3
Electronics and electronic equipment waste from network operation and offices (recycled)[39]	t	29.8	7.6	5.7	9.9	10.6
Waste of mobile phones from customers	t	9.4	7.4	11.2	11.0	21.4
a) Recycled mobile phones from customers[40]	t	8.1	6.8	11.0	10.4	14.1
b) Customers' mobile phones sent in for reprocessing[41]	t	1.3	0.6	0.2	0.6	7.3
Electrical and electronic equipment waste from customers without mobile phones (100 % recycling/reuse)[42]	t	363.8	158.9	102.8	67.4	50.3
Waste from non-electrical/non-electronic equipment	t	1,875.0	3,266.1	1,709.2	1,569.2	1,035.8
of which paper and card waste (100 % recycled)[43]	t	119.4	446.0	305.0	212.2	125.6
of which cables, pipes and metals waste (100 % recycled)[42]	t	1,681.4	2,710.2	1,322.1	1,262.1	765.8
of which battery waste (100 % recycled)[44]	t	74.2	109.9	82.1	94.9	144.4
Other waste recorded in the new GReTel waste management system[45]	t	–	–	–	–	189.9
Number of used mobile phones collected[46] For the used mobile phones collected in the mobile phone recycling programme, the Telefonica Deutschland Group makes a contribution to the Nature and Biodiversity Conservation Union (NABU) for nature conservation projects.	Number	80,159	96,442	83,057	110,151	163,154
Mobile phones with Eco Rating[47] Number of devices in the Telefonica Deutschland Group's current portfolio of smartphones and feature phones (no retailers) that feature an Eco Rating.	%	95.4	92.3	95.2	97.2	100.0

[37] Value was provided as an estimate by external service providers
[38] In 2021 there was a deviation of 67.9 t (2.5 %) from the total waste reported in accordance with the GRI criteria (see page 104 on circular economy) due to recycling/reuse quotas being newly allocated and the expanded waste recording scope thanks to GReTel, which was launched in 2021.
[39] This solely comprises recycling and not electrical waste outright. Monitors and refrigerant gases are not taken into account here.
[40] Batteries will be recorded separately from 2021 thanks to improved data collection. The previous year's figures are therefore not comparable.
[41] The figure is based on values that have been recorded as well as estimated in part.
[42] Governed by contractual agreements with waste disposal companies
[43] 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.
[44] Thanks to improved data collection, since 2021 the batteries of the mobile phones acquired have been recorded separately and classed with the batteries stated here. The previous year's figures are therefore not comparable.
[45] Other waste includes, but is not limited to, organic waste from the canteens, mixed packaging, toner waste and monitors (hazardous waste). It has been possible to record this waste in detail since the introduction of GReTel in 2021.
[46] The number of mobile phones collected includes mobile phones which are brought into the recycling process and refurbished in the reuse process.
[47] Devices we obtain from distributors and tablets are not taken into consideration unless they have an Eco Rating.

Frameworks

GRI Standards

GRI content index and Global Compact progress report ⬈

Our CR Report is prepared in accordance with the "Comprehensive" option of the global standards of the Global Reporting Initiative (GRI). The GRI Standards serve to create transparency regarding the impacts that companies have on the economy, the environment and people. 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 are particularly relevant.

UN Global Compact (UNGC)

GRI content index and Global Compact progress report ⬈

Since 2020 we have additionally been reporting in accordance with the principles of the United Nations Global Compact (UNGC). In this way, we are making a commitment to the UNGC's ten principles and undertake to realise these in the interests of governance for responsible corporate management. This focuses on the topics of human rights, labour standards, environmental protection and anti-corruption. This report constitutes a Communication on Progress (CoP).

Supply Chain Due Diligence Act (LkSG)

"Supply chain management" chapter and our website ⬈

The objective of the Supply Chain Due Diligence Act (LkSG) is to strengthen the rights of the people affected throughout the supply chain. We are preparing for the requirements pursuant to the LkSG by reporting on our human rights due diligence in our CR Report.

Task Force on Climate-related Financial Disclosures (TCFD)

Task Force on Climate-related Financial Disclosures (TCFD) index ⬈

We are conscious of the fact that climate change also presents our business model with various opportunities and challenges which we must rise to. We also give an account of the financial impacts of climate change on our company in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in our CR Report. The recommendations of the TCFD are divided into the four areas of governance, strategy, risk management, and metrics and targets, which we report on.

Sustainable Development Goals (SDGs)

"Transparency and dialogue" chapter (Our contribution to the SDGs)

With the implementation of the Responsible Business Plan 2025 the Telefónica Deutschland Group is actively supporting the attainment of the United Nations' global Sustainable Development Goals (SDGs). We aspire to make a contribution to achieving the SDGs and to society's sustainable transformation with our activities that fall under the five areas of action and the corresponding topics.

EU taxonomy

www.telefonica.de/nfe ⬈

The Taxonomy Regulation ((EU) 2020/852) attaches particular importance to a resource-efficient and circular economy and seeks to have a steering effect on investments and capital market activities. We also use our CR Report to report on the sustainability of our business model.

Sustainability Accounting Standards Board (SASB)

Sustainability Accounting Standards Board (SASB) index ⬈

We follow the framework of the Sustainability Accounting Standards Board (SASB) for the disclosure of financially material sustainability information and report on the relevant environmental, social and governance topics.

CDR Initiative

CDR Initiative ⬈

The CDR Initiative has set itself the goal of developing good responsibility practice and concrete solutions for sustainable digitalisation. In addition, it aims to increase awareness of the topic amongst the public and in the corporate world. As a member of the initiative, we have made a commitment to the guiding principles and objectives of the CDR Code and include these in our reporting.

GRI 102-13

Memberships

We select our memberships on the basis of our strategic priorities. The aim is for our memberships to 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/cooperation	Since	Description	Website
AfB gGmbH (Work for people with disabilities)	2013	Non-profit company which refurbishes the old IT hardware of major enterprises and public institutions (including the deletion of any data) and puts it back into the market; at least 50 % of the workforce is made up of people with a disability.	www.afb-group.de/en
AmCham Germany – American Chamber of Commerce in Germany	2010	Corporate network for global business development and for German-American partnership	www.amcham.de
B.A.U.M. e. V. – Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (German Association of Environmental Management)	2011	Corporate network for sustainable business in Germany	www.baumev.de
Bitkom e. V.	2001	Association of companies from the IT, telecommunications and new media industries; includes working groups looking at the issues of data protection, media policy and occupational safety	www.bitkom.org/EN
BVDW – Bundesverband Digitale Wirtschaft e. V. (German Association for the Digital Economy)	2020	Association of the digital economy which advocates market transparency and innovation-friendly framework conditions to policymakers and society	www.bvdw.org/english
Cybermobbing-Hilfe e. V. (Cyberbullying Support)	2020	Association which supports victims of cyberbullying and promotes prevention work in society	www.cybermobbing-hilfe.de
Deutsches Kinderhilfswerk e. V. (German Children's Fund)	2009	Association for strengthening children's rights and eradicating child poverty	www.dkhw.de
DICO – Deutsches Institut für Compliance e. V. (German Institute for Compliance)	2015	Institute which develops compliance standards and plays a role in shaping good corporate governance	www.dico-ev.de
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	www.dirk.org
eco – Verband der Internetwirtschaft e. V. (Association of the Internet Industry)	2002	Association for companies from the IT and telecommunications industries with a focus on future Internet topics	https://international.eco.de
Europäische Bewegung Deutschland e. V. (European Movement Germany)	2008	Network for European policy in Germany	www.netzwerk-ebd.de
FSM – Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e. V. (German Association for Voluntary Self-Regulation of Digital Media Service Providers)	2005	Alliance that combats online media content which is illegal, harmful to young people or jeopardises their development, provides a platform for complaints and promotes the media skills of children and young people	www.fsm.de/en
GDD – Gesellschaft für Datenschutz und Datensicherheit e. V. (German Association for Data Protection and Data Security)	1994	Association for data protection and data protection officers	www.gdd.de/international/english
GDW – Global Digital Women	2019	Network for accelerating gender equality and making women with a digital focus spanning a number of different industries visible in business and day-to-day life	www.global-digital-women.com/en
Grüner Wirtschaftsdialog e. V. (Green Business Dialogue)	2021	Party-independent alliance of companies and individuals wishing to promote mutual understanding and open communication between businesses, politics in general and policymakers	www.gruener-wirtschaftsdialog.de

GRI 102-13

GSM Association	2008	Global industrial body representing the interests of GSM mobile operators	www.gsma.com
Information Security Forum	2004	Independent non-profit organisation for networking on the topics of cybersecurity, information security and risk management; active participation in its capacity as a member of Telefónica, S.A.	www.securityforum.org
Initiative Chefsache ("Chefsache" initiative)	2020	Network of leaders from business, science, the public sector and the media, for promoting equal opportunity for women and men	www.initiative-chefsache.de/en
IWPC – International Wireless Industry Consortium	2015	Initiative for facilitating global knowledge capital collaboration through real-time insights into vital technology, market and ecosystem developments	www.iwpc.org
Initiative D21 e. V.	2022	Germany's largest non-profit network for the digital society; commitment to the challenges of digital transformation and initiation of debate regarding how to wisely shape the future of the digital society	www.initiatived21.de
klicksafe	2007	Initiative that in Germany promotes the safe use of the Internet and new media on behalf of the European Commission	www.klicksafe.de/en
Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)	2016	Pact of major enterprises based in Munich which have committed to voluntarily reducing their carbon emissions	https://stadt.muenchen.de/en.html
MINT Zukunft e. V. (STEM Future)	2018	Initiative to promote schools' STEM profile in general and their IT and digitalisation profile in particular through the programmes "MINT-freundliche Schule" (STEM-friendly school) and "Digitale Schule" (Digital school) as well as increase the proportion of women in STEM study courses	www.mintzukunftschaffen.de
NABU – Naturschutzbund Deutschland e. V. (Nature and Biodiversity Conservation Union)	2015	Commitment to people and nature with numerous projects for the protection of species, the environment and nature in Germany	https://en.nabu.de
NIK – Nürnberger Initiative für die Kommunikationswirtschaft e. V. (Nuremberg Initiative for the Communications Industry)	1998	Network for the digital economy of the Nuremberg metropolitan region and forum for companies shaping digital transformation	www.nik-nbg.de
#SheTransformsIT	2020	Initiative for greater representation of women in digitalisation and better career opportunities for girls and women	www.shetransformsit.de
Stiftung Digitale Chancen (Digital Opportunities Foundation)	2010	Foundation that assists people in using the Internet in order to counteract the exclusion of disadvantaged sections of the population from the development of the information society	www.digitale-chancen.de/index.cfm/lang.2
Umweltpakt Bayern (Bavarian Environmental Pact)	1995	Voluntary agreement between the Bavarian state government and Bavarian industry on environmental protection	www.umweltpakt.bayern.de
UN Global Compact and Deutsches Global Compact Netzwerk (Global Compact Network Germany)	2020	The world's largest initiative for governance for responsible corporate management and the pursuit of the vision of an inclusive and sustainable global economy for the benefit of all people, communities and markets	www.unglobalcompact.org
UPJ e. V. – Unternehmen als Partner der Jugend (Companies as a Partner of Young People)	2005	Network connecting companies and civil society regarding corporate citizenship and corporate social responsibility	www.upj.de
VATM – Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V. (Association of Telecommunications and Value-Added Service Providers)	2001	Interest group comprising some 100 telecommunications and multimedia companies which are in competition with the former monopolist Deutsche Telekom	www.vatm.de/english-information
VDE – Verband der Elektrotechnik Elektronik und Informationstechnik e. V. (Association for Electrical, Electronic & Information Technologies)	2003	Organisation that brings together science, standardisation, testing, certification and application consulting under a single umbrella and advocates the promotion of research and the next generation of those working in the field; supporting member of Special Committee Lightning Protection and Lightning Research (ABB)	www.vde.com/en
Wirtschaftsforum der SPD e. V. (SPD Economic Forum)	2015	Independent professional business association for the promotion and expansion of sustainable, innovative and economic progress; the topics covered in its specialist forums include energy and climate, mobility and infrastructure, and resources and sustainability	www.spd-wirtschaftsforum.de
Wirtschaftsrat der CDU e. V. (Economic Council)	2010	German business association; network and centre of excellence to help shape economic and social policies through dialogue on topics such as the Internet and the digital economy; environmental, climate and energy policy; transport and the labour market	www.wirtschaftsrat.de/wirtschaftsrat.nsf/id/english-de
Zentrale zur Bekämpfung unlauteren Wettbewerbs e. V. (Centre for Protection against Unfair Competition)	2002	Self-regulation institution active Germany-wide for the enforcement of the law against unfair competition	www.wettbewerbszentrale.de/de/informationenglfranz/engl

Relevant awards in 2021
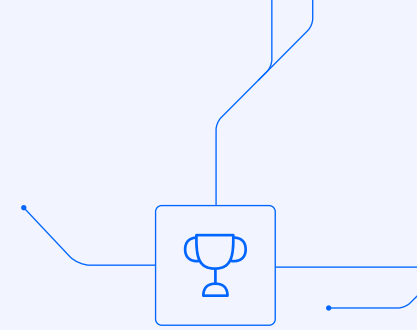
Category of sustainability and corporate social responsibility

Corporate responsibility rated as very high
The TV news channel WELT and the rating agency ServiceValue assessed the Telefónica Deutschland Group's corporate responsibility as very high. This recognition was based on a survey of 170,000 executives concerning the corporate responsibility of just under 2,000 companies from 144 sectors. The Telefónica Deutschland Group's performance here is above average.

Sustainability performance makes Telefónica a valuable company
Companies which are highly committed to sustainability make an important contribution to society and its future – this makes them valuable companies. Together with the Institute for Management and Economy Research (IMWF) and the Hamburg Institute of International Economics (HWWI), DEUTSCHLAND TEST evaluated sustainability reports to identify Germany's most valuable companies: the Telefónica Deutschland Group was ranked second among the telecommunications providers.

Category of customer service

Two-time bronze winner in the German Stevie Awards
The People Transformation & Transition team in the Customer Service & Sales (CSS) division won bronze in the renowned business awards, the German Stevie Awards, in the category "Customer service department of the year". The second bronze Stevie went to Customer Service Support (CSS) for the "Most valued company reaction" for how it dealt with the particular challenges of the COVID-19 pandemic.

Mein O$_2$ app the sole test winner in 2021
The specialist magazine *connect* checks the German network operators' customer service apps once a year in terms of functionality, service and security. In this year's test, the Mein O$_2$ app was rated "very good" for the fourth consecutive time – the only customer app to reap this accolade in the 2021 test. The editorial team's verdict: "The Munich-based network operator's app makes a good impression on all levels and leaves its competitors trailing behind when it comes to the security check".

Chosen as customer service of the year
As part of a cross-industry audit, the organisation Armonia Deutschland examines and rates the customer service offered by German companies through the contact channels of phone, email, Internet navigation, chat and social media. O$_2$ Telefónica impressed the testers across the board and was ranked first in the "Telecommunications" category with a verdict of "Best service quality".

Second place for O$_2$ customer service
In this year's mobile telecommunications hotline test conducted by the specialist magazine *connect*, O$_2$ customer service was once again rated "good", securing second place in the overall ranking once again, like in the previous year.

***Capital* ranking: Wayra Germany declared best innovation laboratory**
The business magazine *Capital* named Wayra Germany the best innovation laboratory in Germany. This first place is confirmation of the successful collaboration between the Telefónica Deutschland Group and the start-up accelerator Wayra.

Category of environmental and climate protection

CDP confirms global leadership in climate protection

The Telefónica, S.A. Group, which includes the contribution made by the Telefónica Deutschland Group, is among the top companies of the more than 12,000 companies around the world that disclosed their environmental data for 2021 through the non-governmental organisation CDP ↗. The company was awarded the top mark of A for the eighth consecutive year. In particular, CDP rates companies highly that very transparently promote carbon emission decreases, the reduction of climate risks and making a contribution to the development of a low-carbon economy. The Group plays a part in global climate targets being achieved above all through digitalisation and mobile communications.

Fifth place among Germany's most climate-conscious companies in 2022

The Telefónica Deutschland Group came fifth in a ranking of Germany's most climate-conscious companies ↗ in 2022. For the second year in a row, the magazine *Capital* and the market research company Statista evaluated the carbon emission data of more than 2,000 listed corporations, medium-sized enterprises and family-owned businesses in Germany. The ranking lists the 100 most ambitious companies.

Category of employees

Recognition with the Corporate Health Award 2021

The Telefónica Deutschland Group was ranked first in the information and communication technology sector in the Corporate Health Award 2021 ↗ for its outstanding achievements in the area of occupational health management. A total of 354 companies, authorities and institutions put themselves forward for Germany's most important award for occupational health management. The Telefónica Deutschland Group clinched the award for the third time in 2021.

Bloomberg Gender-Equality Index listing

The Telefónica Deutschland Group is listed in the highly regarded Bloomberg Gender-Equality Index ↗ (GEI) – for the third consecutive time. The Group therefore serves as a prime example of the transparent advancement of equal opportunity for women in the workplace as corroborated by performance indicators. The advancement of women is part of the Telefónica Deutschland Group's long-term strategy – among other things because companies with greater gender diversity have a better chance of achieving above-average profitability.

One of Germany's top training companies

The magazine *Capital* named the Telefónica Deutschland Group one of Germany's best training companies ↗ . Trainees and dual-studies students can play a part in actively shaping the company from the beginning, broaden their perspectives and acquire new skills, among other things through a tailored onboarding programme when they join the company and by means of rotation through various departments in the course of their training.

Category of network quality

O₂ network rated "very good"

In the latest mobile communications network test ↗ conducted by the specialist magazine *connect*, the O₂ network scored a mark of "very good" for the second time in a row. With a total of 874 points, O₂ once again comfortably exceeded the previous year's very good result of 852 points – in spite of there being more stringent rating criteria. The O₂ network's positive development was thanks to ongoing investments in network expansion, a focus on fast 5G and top network performance. A rating of "very good" was awarded three times (for 944, 913 and 874 points) in the mobile communications network test in issue 1/2022 of *connect*.

These awards and distinctions and others can be found in an overview on our website ↗ .

¹ Source: Telefónica Deutschland Holding AG press release: "O₂ network achieves best result in the company's history" (30 November 2021)

GRI 102-56

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information[1]

To Telefónica Deutschland Holding AG, 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 2021 (hereinafter the "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 the "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 controls 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.

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 2021 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.

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[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the sustainability report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

GRI 102-56

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.

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 2021 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, 9 May 2022

**PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft**

Michael Conrad   ppa. Annette Daschner
Wirtschaftsprüfer
(German Public Auditor)

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Verification Statement of AENOR for Telefónica Germany on the Inventory of greenhouse gas emissions corresponding to the year 2021

DOSSIER: 2009/1133/GHG/01

Introduction

Telefónica (hereinafter the company) commissioned AENOR to make a limited revision of the inventory of greenhouse gases (GHG) of its activities in the period 2021.

Inventory of GHG emissions issued by the Organisation:

- Corporate: C/ Ronda de la Comunicación, Distrito Telefónica, Madrid (Spain).
- Germany: Georg-Brauchle-Ring 50, 80992 München (Germany).

Representatives of the Organisation: Maya Ormazábal Herrero/Camilo Andrés Guarín García, Climate Change and Energy Efficiency Office. Jürgen Franke, Energy Manager NT Network Implementation/Real Estate & Energy, and Joachim Sandt Senior Corporate Responsibility Manager /Legal & Corporate Affairs of Telefónica Deutschland.

Objective

The objective of the verification is to provide the interested parties with an independent and professional opinion on the GHG emissions reported by Telefónica.

Scope of the Verification

During the verification the information was analysed according to the operational control approach. Under this approach the geographic scope is established in the following regions:

Organizational and geographic boundaries
Europe
Germany (Fixed and Mobile Network)

The GHG inventory of the organization includes the following GHGs: CO_2, CH_4, N_2O and HFCs.

Direct, indirect activities and exclusions from the verification.

- Scope 1- Direct GHG emissions
- Scope 2 – Energy indirect GHG emissions
- Scope 3- Other indirect emissions. It is included:

  o Business travel

General Exclusions:

The organization has not excluded any GHG source.

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Materiality

For the verification it was agreed to consider as material discrepancies those omissions, distortions or errors that could be quantified and result in a difference of more than 5% with respect to the total of emissions declared.

Criteria

The criteria and information that have been taken into consideration to carry out the verification were the following:

1. GHG Protocol. Corporate accounting and reporting standard. Rev 01.
2. Referential ITU-T L.1420 (02/2012) Methodology for energy consumption and greenhouse gas emissions impact assessment of information and communication technologies in organizations.
3. Standard ISO 14064-3:2006: Specification with guidance for the validation and verification of greenhouse gas assertions.

AENOR waives any responsibility for decisions, regarding investment or of any other type, based on this declaration.

Verified activity data

Scope 1	Stationary combustion (natural gas)	Nm^3	301.405,67
Scope 1	Stationary combustion (diesel)	Litres	4.292,00
Scope 1	Mobile combustion (gasoline)	Litres	430.367,42
Scope 1	Mobile combustion (diesel)	Litres	1.075.858,31
Scope 1	Fugitive emission (fluorinated gases)	Kg	484,90
Scope 2	District Heating	kWh	5.086.349,12
Scope 2 (Location)	Electricity consumption	kWh	732.032.303,09
Scope 2 (Market)	Electricity consumption renewable	kWh	822.852.149,26
Scope 3	Business trips, km plane (short)	Km	642.776,00
Scope 3	Business trips, km plane (medium)	Km	611,231,99
Scope 3	Business trips, km plane (long)	Km	112.715,00
Scope 3	Business trips, km (train)	Km	442.070,00

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Conclusion

As a conclusion and according to the limited level of assurance agreed, AENOR states:

Based on the above, in our opinion *there is no evidence to suggest that the information on GHG emissions reported by Telefónica Germany for the period 2021 is not a true reflection of the emissions from its activities.*

In consequence with this Declaration below is a list of the emissions data that were finally verified.

GHG emissions	t CO2eq
Scope I+II (market method)	**5.950,04**
Scope I	5.368,56
Mobile Combustion	3.939,82
Stationary Combustion	581,38
Fugitive Emissions	847,36
Scope II (Location)	**268.505,30**
Electricity	267.923,82
District Heating	581,48
Scope II (Market)	**581,48**
Electricity	0,00
District Heating	581,48

Lead Verifier: Jesús Carlos SAN MELITON SANZ

Technical Reviewer: Fernando SEGARRA ORERO

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