Telefónica

Separate Non-Financial Group Report

Telefónica Deutschland Holding AG
for the reporting year 2023

Telefónica

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About this report

Telefónica Deutschland Holding AG has prepared the Separate Non-Financial Group Report for the Telefónica Deutschland Group for the financial year 2023 in accordance with Section 315b, c of the German Commercial Code (HGB) in conjunction with Section 289c–e HGB. This report was published on the website www.telefonica.de/nfs ↗ on 28 February 2024.

The Separate Non-Financial Group Report was audited by the external audit firm PricewaterhouseCoopers GmbH in accordance with the ISAE 3000 (Revised) standard with limited assurance.

In preparing the Separate Non-Financial Group Report, the Telefónica Deutschland Group based its descriptions of concepts and presentation of the corresponding key performance indicators (KPIs) on the Global Reporting Initiative (GRI) Standards 2021. The materiality analysis and the associated structure of topic presentation are based on the European Sustainability Reporting Standards (ESRS 1 General requirements) of the Corporate Sustainability Reporting Directive (CSRD). The company also uses this Separate Non-Financial Group Report to meet its 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).

References to disclosures made outside of the Combined Management Report relate to supplementary information and do not constitute part of the Separate Non-Financial Group Report. For comprehensive sustainability reporting, please see the Telefónica Deutschland Group's Corporate Responsibility Report (CR Report), which will be available at www.telefonica.de/sustainability ↗ from April 2024. This sustainability report is prepared in accordance with the GRI Standards 2021 ("in accordance" option) and is based on the structure of the sustainability statement according to CSRD, the Sustainability Accounting Standards Board (SASB) frameworks, the specifications of the Task Force on Climate-related Financial Disclosures (TCFD) and the principles of the UN Global Compact.

Business activities of the Telefónica Deutschland Group

The Telefónica Deutschland Group is one of the three leading integrated network operators in Germany. It offers mobile and fixed services for private and business customers. It also offers these customers innovative digital products and services. In addition, numerous wholesale partners purchase the extensive mobile communications services of the Telefónica Deutschland Group. The company sets great store by sustainable procurement and supplier management based on its Business Principles and the principles of integrity, reliability and transparency. In this way, it encourages its suppliers and business partners upstream and downstream in the value chain to observe not only quality standards regarding products and services, but also legal requirements as well as ethical, social, environmental and data protection standards.

In the mobile sector, the company serves the demand for mobile services as a consequence of the digitalisation of ever more areas of life. With a total of 45.1 million mobile connections as of 31 December 2023, the Telefónica Deutschland Group is one of the leading providers in this market. In 2023, at EUR 5,895 million, mobile services were the most important revenue stream for the Telefónica Deutschland Group (68.4 % of the total volume). In this area, it offers 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 the company's mobile communications network. In addition, the Telefónica Deutschland Group offers nationwide fixed services to complement its mobile services. Its fixed line network customer base amounted to approximately 2.4 million at the 2023 year end. Furthermore, the Telefónica Deutschland Group also provides services in the area of the Internet of Things (IoT), machine-to-machine (M2M) communication and managed connectivity, thereby tapping into new business segments closely connected with the Group's core operations. The Telefónica Deutschland Group belongs to the Telefónica, S.A. Group, one of the world's largest telecommunications companies.

The Telefónica Deutschland Group's business model is described in detail in the "Basic information on the Group" section of the Combined Management Report 2023 ↗.

Determination of the material non-financial topics and risks

Process of preparing the Separate Non-Financial Group Report

In preparing the Separate Non-Financial Group Report 2023, the Telefónica Deutschland Group followed the requirements as per Section 289c HGB.

The Telefónica Deutschland Group performed a materiality analysis in 2023 to determine which topics were material to this report. Here, it voluntarily orientated the materiality analysis to the European Sustainability Reporting Standards (ESRS 1) of the Corporate Sustainability Reporting Directive (CSRD). In accordance with future requirements, a double materiality assessment was conducted. This encompasses the material topics in terms of the significance to the company (financial materiality, outside-in) and the impacts of its business activities (materiality of the impact on people or the environment, inside-out). As a result, 17 sustainability aspects were identified as being material to the company.

To determine which topics are material to the Telefónica Deutschland Group, the scope of the materiality assessment was first defined and the stakeholders who are relevant to the assessment were identified. The potentially material topics were preselected on the basis of the European Sustainability Reporting Standards (ESRS 1 para. AR 16 (list of topics to be considered)) and the Telefónica Deutschland Group's Responsible Business Plan 2025. Internal topic experts then evaluated one or more specific ESG topics from among the 23 preselected topics. The severity and probability of occurrence were assessed to determine the impacts on people and the environment (inside-out) throughout the value chain (upstream and downstream value chain and own business activities), while the extent and probability were assessed in order to determine the financial opportunities and risks for the Telefónica Deutschland Group's business (outside-in). This was followed by a second assessment stage performed by senior management employees who have a cross-functional understanding of the specific interests and expectations of the stakeholders with regard to ESG topics. The resultant material sustainability topics were then analysed and discussed within the company, and approved by the Management Board, with the Supervisory Board being notified of this.

The material topics as per the German Commercial Code (HGB)
This year's Separate Non-Financial Group Report will be the last to be prepared in accordance with the requirements as per Section 289c HGB, which is why this report presents the topics identified by the single materiality analysis used until now. These topics were validated for the financial year 2023 and approved by the Management Board. With the additional double materiality assessment based on the CSRD, those sustainability aspects that have combined relevance to both perspectives are likewise presented in the Separate Non-Financial Group Report. As such, this Separate Non-Financial Group Report features 13 material topics regarding which the defined threshold was reached from both an outside-in and an inside-out perspective. In comparison to the previous material topics, the topics of "Resource use and circular economy", "Affected communities" and "Sustainable investments" are to be presented as material in this Separate Non-Financial Group Report. The topics described in this report can be found in the table below. The topics "Workers in the value chain", "Other work-related rights", "Anti-competitive behaviour and political engagement or lobbying" and "Promotion of digital access and digital skills" are handled from an outside-in perspective in the CR Report 2023 due to their materiality classification falling below the defined threshold.

To structure this report better, the material topics were allocated to the three overarching environmental, social and governance (ESG) aspects which are to be reported on and were combined according to the logic of the European Sustainability Reporting Standards (ESRS).

Topic	ESRS topic	Material topic	Material topic previously reported on
Environmental aspects	Climate change	Adaptation to climate change	Energy and CO_2
		Climate protection	Energy and CO_2
		Energy	Energy and CO_2
	Circular economy	Resource use and circular economy	–
		Circular economy	–
Social aspects	Own workforce	Working conditions	Labour-management relations; employee health and safety
		Equal treatment and opportunities for all	Diversity, equal opportunity and non-discrimination; training and education
	Own workforce / Workers in the value chain	Human rights and social standards along the supply chain	Human rights and social standards along the supply chain
	Affected communities	Affected communities	Network quality and coverage; product and service experience
	Consumers and end-users	Consumers and end-users	Product and service experience; network quality and coverage
Governance aspects	Business conduct	Business conduct	Governance; anti-corruption and conflicts of interest
		Corruption and bribery	Anti-corruption and conflicts of interest
	Entity-specific	Sustainable investments	–
		Data protection and information security	Data protection and information security

The topics of "Data protection and information security" as well as "Sustainable investments" were identified as material entity-specific sustainability aspects in addition to the ESRS topics. These entity-specific topics are highly relevant to the business of the Telefónica Deutschland Group. Likewise, the company's activities have relevant impacts on these fields: data protection and information security affect the Telefónica Deutschland Group's core business. As a result of the ever-increasing importance of ESG topics in the company's financing strategy, sustainable investments are reported on in a dedicated section for the first time.

The topic of "Human rights and social standards along the supply chain", which was introduced as being material to the Telefónica Deutschland Group in 2022, remains highly relevant to the company and is disclosed in the Separate Non-Financial Group Report. A detailed explanation of how human rights are respected and protected throughout the value chain is given in the Telefónica Deutschland Group's CR Report 2023.

Determination of the material non-financial risks
Based on the analysis of the business relevance of the identified non-financial topics, risk scenarios were developed, taking into account the probability of occurrence and their potential to have a detrimental impact. In line with the criteria of established risk management, the Telefónica Deutschland Group 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 2023 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, the Telefónica Deutschland Group analysed the potential for a material risk pursuant to Section 289c HGB in the areas of consumers and end-users and information security (in gross terms). Thanks to extensive management approaches and measures, the Telefónica Deutschland Group does not register any material net risk (see "Consumers and end-users" and "Data protection and information security" sections).

Governance for responsible corporate management

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

In the interests of governance for responsible corporate management, the Telefónica Deutschland Group keeps an eye on the impacts that all of its business activities have on people and the environment. The goal is to guarantee this all along the value chain and at all the company levels. Technological innovations are to be used to solve societal challenges and promote sustainable development. Through governance for responsible corporate management, the Telefónica Deutschland Group wishes to contribute to making market economy mechanisms work and to boosting people's faith in businesses and digitalisation.

The Telefónica Deutschland Group's Business Principles ↗ serve as the foundation for its actions. They document its 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 Telefónica Deutschland Group wishes to be a company which is trusted by its customers, employees, suppliers, shareholders and society. It is therefore the Group's primary aspiration to present the principles which govern its actions to its stakeholders clearly and unequivocally. To ensure that all the employees including the Management Board have a thorough understanding of these Business Principles, they are given regular and mandatory training in adhering to the principles.

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 EU Taxonomy Regulation, the new Corporate Sustainability Reporting Directive and the recently adopted EU pay transparency directive, both of which must now be transposed into national law, and supply chain sustainability (cf. the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the EU's supply chain directive). The Telefónica Deutschland Group is preparing comprehensively for these new requirements.

PROCESSES AND MANAGEMENT
Clear governance structures

The Management Board and Supervisory Board of Telefónica Deutschland Holding AG are committed to observing the principles of transparent corporate governance ↗ and regularly concern themselves with the requirements of the German Corporate Governance Code (GCGC) ↗. 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. The Management Board 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 on this in Telefónica Deutschland Holding AG's Management Declaration ↗.

Corporate responsibility and sustainability are an integral part of the Telefónica Deutschland Group's business mindset and activities. The company therefore attaches importance to transparent reporting regarding its sustainability performance. The material non-financial topics for the Telefónica Deutschland Group are reviewed and approved by the Management Board annually and are presented to the Supervisory Board for its information.

The impacts on people, society and the environment are also considered when determining materiality (see "Determination of the material non-financial topics and risks" section). Likewise, the implementation status of the human rights due diligence obligations is presented to the Management Board annually as part of the report to the Management Board by the Human Rights and Environment Committee (see the "Human rights and social standards along the supply chain" section).

Responsible Business Plan as a tool to steer sustainability management

The Telefónica Deutschland Group's sustainability strategy is approved by the Management Board. It is an integral part of the corporate strategy and is additionally based on the global sustainability strategy of the Telefónica, S.A. Group. The Telefónica Deutschland Group has established clear governance

structures and processes in order to put the guiding principles and requirements into day-to-day practice. The Responsible Business Plan 2025 (RBP 2025) "Digital.Sustainable.Connected." is the key tool when it comes to sustainability management. It serves as the framework for the sustainability targets and activities of the departments and company sites. With the RBP 2025 the company wishes to continue to responsibly shape sustainable digitalisation and the transformation of the economy and society in the future.

The Corporate Responsibility & Sustainability (CR&S) directorate is responsible for managing the sustainability activities of all the departments and company sites. It develops the sustainability strategy, monitors achievement of the CR goals and plans new measures together with the departments. The CR&S directorate 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.

The CR&S directorate is assigned to the Management Board division Legal & Corporate Affairs of Telefónica Deutschland Holding AG and reports directly to the Management Board. The Supervisory Board is integrated into the creation of the Separate Non-Financial Group Report for the fulfilment of the requirements pursuant to Section 315b in conjunction with Section 289c of the German Commercial Code (HGB). The Supervisory Board discusses the findings of the audit of the Separate Non-Financial Group Report and the related performance indicators with the auditors and decides on the release of the separate non-financial group report after its own assessment.

The Management Board and the works council receive an annual report on the implementation of human rights and environment-related due diligence obligations in the past financial year and on the latest human rights developments within the company, in politics and in society. The Management Board bears responsibility for human rights being upheld. The Human Rights Officer appointed on 1 January 2023 is responsible for monitoring risk management and the human rights due diligence system. She is supported by the interdisciplinary Human Rights and Environment Committee.

The company's own guidelines, standards and rules of procedure have a key role to play in sustainability management. The Telefónica Deutschland Group uses them to embed fundamental environmental, social and compliance-related standards within its processes, specify the requirements it has of its stakeholders and establish tools that facilitate voluntary commitment and control. In its Declaration of Principles ⬈, the Telefónica Deutschland Group commits to respecting and protecting human rights, while its Human Rights Policy ⬈ specifies the company's obligations in this regard (more information on this in the "Human rights and social standards along the supply chain" section).

The Telefónica Deutschland Group requires ethical, environmental and social standards to be met as a binding code of conduct for involvement in the business world. The Business Principles were comprehensively revised in the previous year to ensure that they continue to take into account the latest market and societal requirements. All the employees are given regular mandatory training on the Business Principles. In the past three years up to the end of the reporting year 2023, 95.1 % of the employees were given training on the Business Principles and human rights. This represents an increase compared to the three-year figure reported in the previous year (2022: 84.3 %). After the code of conduct was revised, the training was adapted at the end of 2022. In addition, the focus is now also more keenly on ESG topics, giving everyone a part to play in jointly advancing the company's sustainable transformation (see also the "Business conduct" section).

T 01

Governance

	Unit	2023	2022	2021
Employees and directors given training on the Business Principles and human rights[1]	%	**95.1**	84.3	97.7

[1] Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation includes the completed training units of the last three years. For 2023 this means 7,068 completed training units between 1 January 2021 and 31 December 2023.

Bonus system offers incentives for sustainable conduct

The Telefónica Deutschland Group uses management bonuses as an incentive for the achievement of its company targets. Since 2019 it has intentionally linked bonus payments for the Management Board, executives and certain experts to the company's performance with regard to its sustainability targets. In addition to financial performance indicators, which have a weighting of 80% and are audited with reasonable assurance, there are therefore also non-financial criteria with a weighting of 20% and audited with limited assurance. The latter include boosting customer satisfaction, strengthening the Group's reputation, reducing carbon emissions and increasing the proportion of women in management positions. The Telefónica Deutschland Group's targets for 2023 are the same as the previous year's performance indicators and their weightings remain unchanged too. Specifically, the following criteria are included:

- The Net Promoter Score (NPS) measures the customers' willingness to recommend their service provider. This makes up 5% of the bonus.
- The company's reduction of direct and indirect greenhouse gas emissions is calculated using the Greenhouse Gas Protocol. Scope 1 and 2 greenhouse gas emissions make up 5% of the bonus.
- The NPS gap measures the difference between the NPS of the Telefónica Deutschland Group and that of the top competitor. This accounts for 4% of the bonus.
- The RepTrak measures the company's reputation. 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 3% of the bonus.

G 01

Variable remuneration is linked to sustainability targets:

80%
Financial targets

20%
Non-financial targets (ESG)

- 5% – customer satisfaction measured by the Net Promoter Score (NPS)
- 5% – direct and indirect greenhouse gas emissions (Scopes 1 and 2)
- 4% – customer satisfaction compared with the NPS gap as the difference to the top rating among the competitors
- 3% – company's reputation measured by the RepTrak Pulse, which measures stakeholder loyalty
- 3% – proportion of women in top management positions

All the employees who are eligible for bonuses have the same targets, weightings and payout curves in relation to the Telefónica Deutschland Group's corporate goals. Information on the procedure for determining Management Board remuneration and disclosures regarding the remuneration of Telefónica Deutschland Group employees can be found in the Remuneration Report ↗.

STRATEGIC PRIORITIES
Evaluating political and societal requirements

The CR&S directorate regularly maintains contact with the individual departments and also exchanges information within the context of internal steering bodies such as the CR&S Committee, the Energy Committee, the Data Protection Forum, the Health Forum and the Human Rights and Environment Committee. In this context, the general strategies are discussed, potential risks are evaluated, progress is established and projects and measures are assessed. 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 regularly confers with the Telefónica, S.A. Group.

The Telefónica Deutschland Group's clear ambitions and commitments in the Responsible Business Plan 2025, which serves as a central steering instrument for its sustainability management, guided its actions in 2023. Concrete CR targets for the ambitions and 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). Achievement of the CR goals is regularly reviewed together with the senior management of the departments involved. The target attainment level is additionally reported to the Management Board every six months.

Environmental aspects

Climate change

THE KEY FACTS:

✓ New Low Carbon Procurement Policy: In addition to acquisition and operating costs, energy and CO_2 costs are now also taken into account when purchasing energy-consuming products.

✓ The Telefónica Deutschland Group intends to reduce its energy by around 20%, provided the network load remains steady, by the end of 2025 compared to the reference year 2021, among other things with network modernisation and cloudification.

✓ The Telefónica Deutschland Group has offset 60% of Scope 1 and 2 emissions with verified climate certificates in the reporting year.

BASIC PRINCIPLE AND CHALLENGES
Digitalisation as a climate protection opportunity

According to a Bitkom study[1], digital technologies have the potential to reduce carbon emissions in Germany by a fifth, thereby indirectly helping to achieve the national climate targets. This potential 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 and in so doing help to make society's basis for life sustainable. 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 through connectivity do electricity grids become smart grids that allow electricity generation and consumption to be managed efficiently.

However, as connectivity increases, there will also inevitably be an increase in the volume of data transmitted via the networks as well as in the energy consumption related to this. At around 98%, network technology accounted for the largest share of electricity consumption at the Telefónica Deutschland Group in the reporting year. Increasing the energy efficiency of its networks and data centres is therefore a top priority for Telefónica Deutschland. A three-year energy conservation programme ↗ was initiated in 2023. It has the aim of reducing energy consumption by around 20%, provided the network load remains steady, by the end of 2025 compared to the reference year 2021. The basis here is AI-assisted network standby technology, network modernisation and cloudification. 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. The Group is also part of the Business Ambition for 1.5 °C action alliance. These targets are based on the 1.5-degree scenario of the Paris Agreement and include Scope 1, 2 and 3 emissions: all emissions are to be reduced to net zero by 2040, including those in the Group's own value chain. Telefónica, S.A. is the first telecommunications company to have had its targets validated by the Science Based Targets initiative (SBTi). This means the targets of the Telefónica Deutschland Group have likewise been validated and the Group's programmes and measures are contributing to the target of 1.5 degrees being achieved.

Within the Telefónica Deutschland Group, handling climate change has already been integrated into the areas of corporate governance, strategy, risks and goals. It relies on a variety of elements to save energy and reduce greenhouse gas emissions: it invests in energy-efficient technology, uses green electricity, promotes low-pollutant mobility and is increasingly offering its customers more sustainable products and services. With the help of the Telefónica Deutschland Group's infrastructure and services, businesses and people can realise their sustainable digital business models and play a part in this.

Target of net zero emissions throughout the value chain by 2040

The assumption of responsibility for the climate and the environment is a basic principle of the Telefónica Deutschland Group. This responsibility is at the very heart of its climate strategy, with which it aligns itself closely in the Group-wide

[1] Source: Bitkom study "Climate Impacts of Digitalization", March 2021

commitment: the company has set itself the goal of reducing its emissions throughout the value chain in order to achieve a volume of greenhouse gas (GHG) emissions which is compatible with the 1.5-degree target. The goal is to achieve net zero emissions by 2040, with the interim goal of offsetting its own direct (Scope 1) emissions and emissions caused indirectly (Scope 2) by procuring power and the emissions from its own travel activities by 2025 at the latest. Unavoidable emissions are offset by certified climate protection projects with high ecological and social standards. Other Scope 3 emissions are to be reduced by 39 % by 2025 in comparison to 2016.

T 02
Reduction of Scope 1 and Scope 2 emissions

	Unit	2022	2023	2025 targets
Carbon reduction[1]	%	97	97	**95**
Energy efficiency[2]	%	81	83	**87**

[1] Scopes 1 and 2, base year 2015 (market-based method)
[2] Energy efficiency represents the change in energy intensity compared to the base year 2015. The energy intensity is calculated based on: total energy consumption (electricity and fuel consumption)/data volume per petabyte.

Scope 3 emissions, for example in the upstream supply chain, were evaluated in a coordinated manner throughout the Telefónica, S.A. Group and tackled and reduced via corresponding measures in the reporting year 2023. Here, the Group is 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 the Telefónica Deutschland Group likewise drew on to develop its climate strategy.

In the reporting year, the Telefónica Deutschland Group examined whether the five Scope 3 categories as determined by Telefónica, S.A. were also material to the German Group. To this end, it examined the 15 categories of the Greenhouse Gas Protocol and confirmed the following five categories to be material:

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related emissions
4. Business travel
5. Use of products sold

As the next step, the Telefónica Deutschland Group will derive targets and measures for reducing Scope 3 emissions in these five categories.

To achieve the offsetting of Scope 1 and Scope 2 emissions by 2025 at the latest, the Telefónica Deutschland Group is implementing the following concrete measures, which are underpinned by annual interim goals:

- The Telefónica Deutschland Group will increase its network efficiency by reducing energy consumption per data volume (GWh/PB) by 87 % by 2025 in comparison to 2015.
- Its total electricity consumption is already covered entirely by green electricity[1]. It is seeking to improve the quality of electricity sourcing overall on the basis of power purchase agreements (PPAs) and electricity it generates itself. From 2025, two-thirds of the anticipated electricity requirements are to be covered with the help of PPAs. Two large PPA deals for the direct procurement of wind power have already been concluded to this end and will come into play in 2025.
- The Telefónica Deutschland Group is using IoT-based building services in its data centres for consumption forecasts and energy footprint optimisations.
- The installation of digital smart meters at antenna sites is facilitating consumption analyses, forecasting, and energy consumption optimisation on the basis of data evaluation.
- Promoting virtual work in the company reduces carbon emissions because the employees then commute to work less and have less business travel.
- The Telefónica Deutschland Group has been gradually offsetting emissions which are unavoidable with high-quality carbon reduction projects since 2021, preferably projects that remove carbon from the atmosphere.

Less and less electricity per byte

5G works more energy-efficiently than the predecessor technologies. The Telefónica Deutschland Group is nevertheless expecting to see a significant increase in total energy consumption due to its network being expanded to include 5G, thus resulting in greater network coverage and data volumes. This presents the company with major challenges, among other things due to energy prices having remained high throughout the reporting year. The "energy consumption per data volume (GWh/PB)" performance indicator selected by the Telefónica Deutschland Group allows it to optimally measure and document its progress in the area of energy efficiency. The 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, the Telefónica Deutschland Group is striving to achieve a high level of sustainability in Germany's telecommunications industry. Here, it aspires to offer its customers a "green" network in the future.

Climate protection is relevant to business success

With the target of net zero emissions by 2040 the Telefónica Deutschland Group wants not only to improve its environmental footprint, but also to do business sustainably and safeguard its

[1] The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100 % green electricity by guarantee-of-origin certificates.

ability to compete. By doing this, it hopes to achieve effective risk prevention, a strong reputation, profound brand perception, and high scores for the company in financial market ratings.

The Telefónica Deutschland Group recognises that climate change involves real risks for the company. These risks can be physical in nature on the one hand, such as risks for the mobile communications infrastructure due to more frequent extreme weather events, and be caused by regulation (transition risks) on the other. The latter includes, for example, ever increasing energy prices due to greater carbon taxation. The Telefónica Deutschland Group is also aware that climate change engenders opportunities which should be tapped. These include the possibility of tapping new markets with lower-emission products and services. The company is currently working on this intensively (see "Circular economy" section).

PROCESSES AND MANAGEMENT
Management systems anchored in the company

In addition to the 2025 climate strategy, the binding company-wide Environmental Policy ↗ serves as the basis for all of the Telefónica Deutschland Group's activities and is further supported by the Sustainable Energy Management Policy ↗ and the newly adopted Low Carbon Procurement Guideline. These are aimed at its business processes in the areas of the network, office spaces, shops and mobility, responsible procurement and its product and services portfolio with the main emphasis on sustainable innovations. Its Environmental Policy is established in the environmental guidelines in accordance with ISO 14001. The policy particularly seeks to promote the identification of and compliance with all relevant laws, norms, standards and other binding obligations. The environmental management system serves to prevent and minimise any negative effects that the activities and infrastructures of the Telefónica Deutschland Group may have on the environment and to keep on improving environmental performance in general. The company has enshrined other requirements in the area of the climate and the environment in internal guidelines such as the sustainability-oriented purchasing guidelines (Supply Chain Sustainability Policy (SCSP) and the environment annex), the waste guidelines and the travel guidelines. The Telefónica Deutschland Group aims to achieve the goal of improving the company's performance, products and services from an environmental point of view primarily through systematic performance evaluation on the basis of the targets defined in the Responsible Business Plan 2025.

The Telefónica Deutschland Group has also established its 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 the Group's environmental management system and specify its principles in the area of energy. The

Telefónica Deutschland Group's office sites have been certified in accordance with the environmental management standard ISO 14001 ↗ and the quality management standard ISO 9001 ↗ since 2004. The shops' environmental management is likewise based on the ISO 14001 standard. These processes are managed by internal energy and environmental management officers. Environmental issues and targets as well as all measures are subject to an annual management review prior to the external audit. 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 & Corporate Affairs and are adopted collectively by the Management Board.

The Telefónica Deutschland Group adopted the new Low Carbon Procurement Guideline in 2023. This applies to the purchase of internally used products with an annual purchase value of more than EUR 3 million, such as network technology, heating and air conditioning technology, and data centre equipment. This stipulates that product selection must take into account not only the acquisition costs, but also the energy and carbon costs throughout the life cycle. In this way, the company is increasing the climate-related requirements made of its suppliers.

The company offers its employees training on all the topics mentioned in this section. There is online energy and environmental training and, since the end of 2023, also training on lower-carbon procurement. The Telefónica Deutschland Group once again held a workshop on the purchasing guidelines applicable to lower-carbon procurement for the departments this relates to such as Purchasing and Technology in the reporting year.

STRATEGIC PRIORITIES
Improving energy efficiency and lowering carbon emissions

The Telefónica Deutschland Group is placing energy efficiency and carbon reduction at the heart of its climate strategy and wants to contribute in this way to the sustainable digitalisation of the economy and society. The Telefónica Deutschland Group is committed to the promotion of a lower-carbon economy. It is continually improving its energy efficiency by switching to energy-saving components throughout the company. This enables it to make an active contribution to the reduction of greenhouse gas emissions. It is also focusing on natural resources being used efficiently (see "Circular economy" section).

Energy consumption per data volume totalled 0.07 GWh/PB in 2023. The Telefónica Deutschland Group was therefore able to reduce consumption by 83.37 % in comparison to the reference year 2015.

100% of the electricity the Telefónica Deutschland Group uses is green electricity[1]. To improve the quality of electricity sourcing overall, the company is focusing on electricity it generates itself. Following a successful pilot project, photovoltaic systems are now gradually being installed at antenna sites, enabling the Group to make its own contribution to renewable energy generation.

The company wishes to reduce its emissions throughout the value chain in order to achieve a volume of greenhouse gas (GHG) emissions which is compatible with the 1.5-degree target. The target is to achieve net zero emissions by 2040, with an interim goal of reducing Scope 1 and Scope 2 emissions by 2025. The Telefónica Deutschland Group caused 9,103 tonnes of carbon emissions in 2023 (Scope 1, Scope 2 according to the market-based method and Scope 3.6 Travelling; 2022: 7,766 tonnes).

In the year under review, Scope 1 emissions amounted to 5,955 tonnes of carbon equivalents. The Scope 1 emissions primarily come from two sources: the fuel consumption of the fleet and of the emergency standby power systems and fugitive emissions of the refrigerant gases used in the network air conditioning systems.

The Telefónica Deutschland Group's Scope 2 emissions are primarily caused by the purchase of electricity and district heating, with 100% of the electricity being recognised as green electricity[1] with 0 tonnes of carbon equivalents. Market-based emissions therefore amounted to 234 tonnes of carbon equivalents in 2023. The direct and indirect carbon emission figures (Scopes 1, 2 and 3) can be found in the table of key figures.

Leveraging Scope 3 emissions potential

Scope 3 emissions are likewise of key importance to the Telefónica Deutschland Group. In accordance with the prevailing standard of the GHG Protocol, the Telefónica Deutschland Group focusses on its five largest Scope 3 categories, which account for over 90% of its Scope 3 emissions. This also includes category 6 "Business travel", which the company can influence directly. The company has been reporting Scope 3.6 emissions (travel activities) for many years. Compared to 2019, the last year that was not restricted by the pandemic, travel activity fell by 30% in the reporting year, including 54% fewer flights and 62% more rail travel. With the key initiatives of its HR strategy, 5 Bold Moves, the Telefónica Deutschland Group wants to help the employees to work together virtually wherever this is possible and expedient. More information on 5 Bold Moves can be found in the "Own workforce" section. In its travel guidelines, the Telefónica Deutschland Group promotes a switch to rail travel.

In order to come closer to the goal of reducing Scope 3 emissions by 39% from the reference year 2016 to 2025, the Telefónica Deutschland Group has been using The Climate Choice software platform since 2022. Suppliers are asked to carry out an assessment of climate-related activities and key figures. The resulting qualitative and quantitative data will also serve as a basis for refining the Telefónica Deutschland Group's decarbonization strategy.

T 03

Energy and CO_2: climate targets

	Unit	2023	2022	2021
Energy intensity: total energy consumption per data volume	GWh/PB	0.07	0.08	0.09
Proportion of total electricity consumption from green electricity[1]	%	100	100	100

[1] The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

T 04

Energy and CO_2: energy consumption

In GWh	2023	2022	2021
Total energy consumption	803	799	755
Total electricity consumption[1]	777	775	732
of which by the network and data centres[2]	760	757	711
of which by offices, shops, call centres	17	18	21
Total fuel consumption[3]	26	24	23
Energy from green electricity sources[4]	777	775	732

[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 figures generated statistically here.
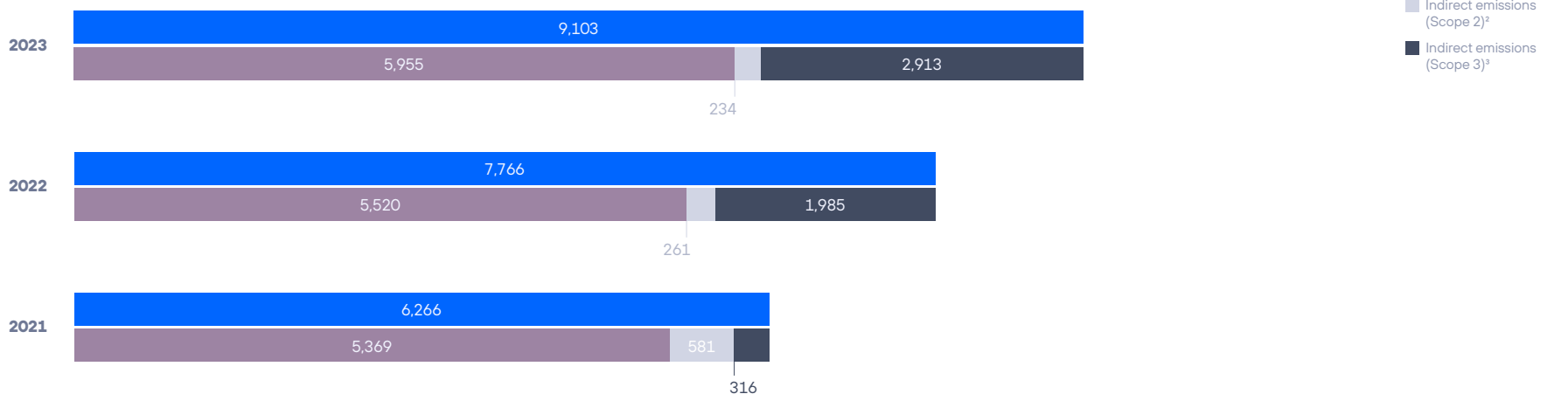[3] Fuel consumption (in the form of diesel, natural gas and district heating) comprises the units provided via a direct contract between a supplier and the Telefónica Deutschland Group. The calculation of fuel consumption is in accordance with Telefónica, S.A., consequently using the international conversion factors, and is verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U.
[4] The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.
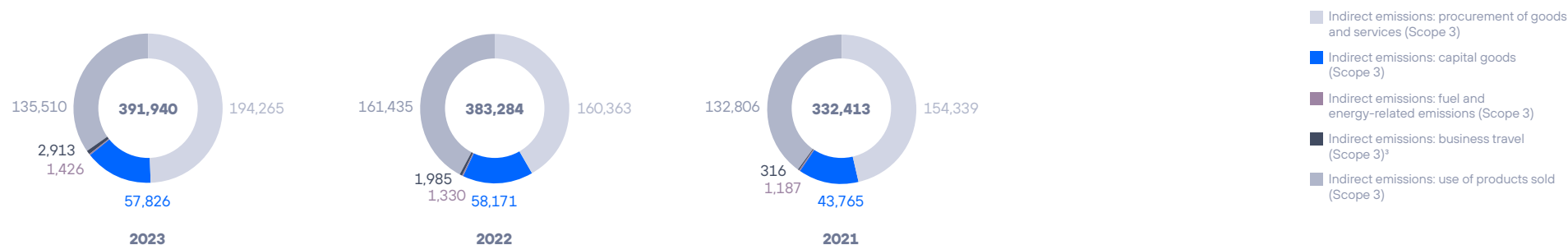
G 02

Climate protection: greenhouse gas emissions (market-based method)

In tonnes of CO_2 equivalent (tCO_2eq[1])

Legend:
- ■ Total carbon emissions (Scope 1, 2, 3)[2,3]
- ■ Direct emissions (Scope 1)[2]
- ■ Indirect emissions (Scope 2)[2]
- ■ Indirect emissions (Scope 3)[3]

2023
- 9,103
- 5,955 | 234 | 2,913

2022
- 7,766
- 5,520 | 261 | 1,985

2021
- 6,266
- 5,369 | 581 | 316

Indirect emissions in detail (Scope 3)

2023: 391,940
- 135,510
- 194,265
- 2,913
- 1,426
- 57,826

2022: 383,284
- 161,435
- 160,363
- 1,985
- 1,330
- 58,171

2021: 332,413
- 132,806
- 154,339
- 316
- 1,187
- 43,765

Legend:
- ■ Indirect emissions: procurement of goods and services (Scope 3)
- ■ Indirect emissions: capital goods (Scope 3)
- ■ Indirect emissions: fuel and energy-related emissions (Scope 3)
- ■ Indirect emissions: business travel (Scope 3)[3]
- ■ Indirect emissions: use of products sold (Scope 3)

[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 to carbon emissions. For the market-based method, 684.03 g CO_2 per kWh is used (source: Association of Issuing Bodies (AIB), European Residual Mixes 2022). Information on the site-based method can be found 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 were calculated with emission factors applied Group-wide (source: UK government GHG conversion factors for company reporting, 2022). There are also other Scope 3 emissions, that are not included. These are listed separately. The focus at the Telefónica Deutschland Group is on business travel, as employees' travelling activities can be directly influenced.

Focus on efficient network technology

Network technology accounts for the lion's share of energy consumption in the Telefónica Deutschland Group's mobile communications network. The resources allocated for peak load times are not needed for every hour of the day. During low-load periods, a site typically uses only 20% of the resources allocated for high-load periods. To save energy where it is not needed, transmitters can be switched to an energy-saving mode and resources in the form of one or more frequency bands which are temporarily not in use can be powered down when there is less voice and data traffic, such as in the night. Smart systems allow for individual energy-saving measures at each network cell. Here, the Telefónica Deutschland Group aspires to ensuring that mobile communication customers do not notice any difference in the network quality. Following a successful test run in the previous year, almost all the sites have been set to the energy-saving mode during low-load periods since 2023. This has allowed energy consumption to be kept constant in spite of increasing data volumes.

Individual transmitters have to be cooled to protect the technology from the negative effects of waste heat and sunlight. Wherever possible, the air conditioning systems at the base stations have been switched to free cooling since the reporting year. A cooling effect is then created by circulating external air, thereby saving on refrigerants and lowering energy consumption.

With smart metering, the Telefónica Deutschland Group is taking another step towards greater energy efficiency: the power consumed by the network is already measured by smart metering systems at many of the sites. The consumption of every mobile network installation equipped with a smart meter is recorded every second and is transmitted to a cloud server via the O_2 network. In the future, 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, facilitating the early identification of malfunctions and lowering the related costs. A target has been set of equipping 27,000 of the more than 31,600 sites with smart meters by the end of the reporting year (where possible technically). The chip shortage triggered by the coronavirus pandemic meant this target could not be achieved. More than 24,000 sites featured a smart meter at the end of 2023.

Offsetting of unavoidable emissions

Unavoidable emissions will still ultimately be caused in spite of 100% green electricity[1] 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 the company's air conditioning systems can be replaced with carbon-free alternatives. The Telefónica Deutschland Group offsets the remaining emissions by purchasing carbon certificates. The projects that qualify for these certificates must be certified according to the Verified Carbon Standard ↗. The Telefónica Deutschland Group offset 60% of the residual emissions in 2023; it is planned to increase this quota by 20 percentage points every year, which would result in 100% of unavoidable scope 1 and scope 2 emissions to be offset by 2025.

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[1] The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100% green electricity by guarantee-of-origin certificates.

Circular economy

THE KEY FACTS:

✓ A new circular economy strategy is creating the framework for resource-efficient and circular operations.

✓ The Telefónica Deutschland Group is gradually transitioning to eco SIM cards; these are made of more than 90% recycled plastic.

✓ The Telefónica Deutschland Group has been replacing all of its printed product brochures and flyers with digital flyers.

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. The Telefónica Deutschland Group is conscious of its responsibility to use resources sparingly and therefore strives to establish a circular economy. The Telefónica Deutschland Group examines all the stages of the value chain, from product development and service life to recycling and waste management. It is therefore a question of systemic transformation with the aim of closing loops and reducing the use of raw materials.

A comprehensive circular economy gives a company the opportunity to reduce costs and offer the customers products and services which are produced sustainably and can be used as such. This boosts not only its ability to compete, but also its credibility as a responsible stakeholder within society. Human rights impacts likewise need to be incorporated when considering the entire life cycle of products. Raw material mining can be reduced overall by substituting primary raw materials with secondary raw materials. Such mining, for example for conflict minerals, can involve human rights violations.

The legal and political parameters have already changed significantly due to increasing pressure to act, and regulation will increase further in the next few years: 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 past on the tightening of labelling and take-back obligations in accordance with the Electrical and Electronic Equipment Act (ElektroG). For example, the EU adopted an energy label for mobile devices in 2023, which must be implemented nationally by March 2025. In the year under review, the Council of the European Union proposed a more comprehensive framework for the eco-design

of sustainable products and proposed that new requirements be set regarding, among other things, the resource efficiency, durability, reusability and repairability of products. 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.

In the materiality analysis performed in 2023, the Telefónica Deutschland Group defined the topic of "Circular economy" together with the related topic of "Resource use" as material to the Separate Non-Financial Group Report for the first time, as it is able to reduce the impacts on the environment and climate by closing loops within its own value chain, thereby also giving rise to financial opportunities by cutting costs and tapping new business fields. This motivated the company to further develop its circular economy concept into a comprehensive circular economy strategy in the reporting year. It also took the new CSRD requirements into account here relating to the disclosure of both quantitative and qualitative metrics, for example regarding target setting or guidelines.

PROCESSES AND MANAGEMENT
Targeted management of resource efficiency

The Telefónica Deutschland Group's circular economy strategy serves as the framework for the gearing of its activities. It focuses on boosting resource efficiency, avoiding waste, reducing the carbon footprint and respecting the bounds of the planet's resources. Workshops involving various relevant departments were held for the purposes of strategy development in 2023. In addition, expert interviews were conducted.

The circular economy strategy is based on the Circular Transition Indicators (CTI) of the World Business Council for Sustainable Development and defines three pillars which are material to the Telefónica Deutschland Group:

1. Improving the incoming circular material flow
2. Promoting eco-design for the reuse of products and materials
3. Improving the outgoing circular material flow

The company's 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. Protecting natural resources is one of the most important areas that the Telefónica Deutschland Group specifically addresses with its 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 & Corporate Affairs regarding measures and target attainment in the context of the Responsible Business Plan (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 & Corporate Affairs.

The company is also sending a clear signal regarding the conservation of resources with its climate strategy and its targets of offsetting Scope 1, 2 and Scope 3.6 Travelling emissions by 2025 and reducing all emissions to net zero by 2040.

Becoming a zero-ICT-waste company by 2030

As part of the Telefónica, S.A. Group, the Telefónica Deutschland Group is pursuing the goal of becoming a zero-ICT-waste company[1] by 2030. Raw materials are to be extracted from the waste which accumulates due to information and communication technology (ICT) in the area of network technology and then fed back into the value chain. The following subgoals have been set for Germany in order for this overarching goal to be achieved:

- By 2024 90% of the stationary devices taken back from the customers such as routers will be refurbished and reused.
- By 2025 circularity criteria will be introduced for the customers for all purchases of electronic devices.
- The Telefónica Deutschland Group labels business customer products and services that make a significant contribution to reducing energy, carbon emissions and water consumption and/or to promoting the circular economy with the Eco Smart certification mark. The aim is to continuously increase the proportion of business customer products bearing the Eco Smart certification mark.

- The subgoal of no longer disposing of network device waste as landfill by the end of 2025 has already been achieved.[2] Recycling waste is mandatory in Germany and disposal is only permitted subject to very specific conditions.

The topic of waste reduction is something that the Telefónica Deutschland Group strives for across all processes and areas. It consistently ensures that all statutory environmental standards are observed when disposing of unavoidable waste. The Telefónica Deutschland Group operates on the basis of its own guidelines in the area of waste management. It documents the relevant waste volumes via the waste management system GreTel (Gestión de Residuos de Telefónica). This system records, 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 the Telefónica Deutschland Group to effect disposal chain optimisations with a view to directing every waste type to recycling of the highest possible quality while also guaranteeing the best protection of people and the environment.

STRATEGIC PRIORITIES
Considering the entire life cycle of products

Through its brands, the Telefónica Deutschland Group offers business and private customers a broad range of hardware comprising mobile phones and other electronic 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 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.

The Telefónica Deutschland Group rigorously pays attention to these high standards being met when selecting its 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. The Telefónica Deutschland Group brings the fact that it takes back used devices, SIM cards and batteries to people's attention in its shops and on the O₂ website ↗.

Together with subsidiaries and cooperation partners, the Telefónica Deutschland Group is working to strengthen the circular economy via product range composition and the ecological design of own-brand products, information for the customers and approaches to the reuse and recycling of mobile devices.

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[1] Zero network equipment waste target: waste diverted from disposal through reuse and recycling (100% of network equipment are planned to be responsibly resold, reused, remanufactured or recycled by 2025)
[2] Any residual stocks from recycling processes amount to 0.3%.

Product range composition and packaging design in accordance with eco-design criteria

In terms of its procurement activities, the Telefónica Deutschland Group focuses first and foremost on selecting smartphones that it wishes to offer the customers. With its Supply Chain Sustainability Policy (SCSP) ↗, it obliges its 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 company pays attention to the joint protection of the environment and human rights (for more information, see the "Human rights and social standards along the supply chain" section). The SCSP and the General Purchasing Terms and Conditions specify requirements regarding the eco-friendliness of the resources used. The Telefónica Deutschland Group additionally expects manufacturers to take eco-design principles and repairability 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. The company offers a number of sustainable smartphone models, such as the Fairphone. The manufacturer of the Fairphone sets great store by fair production labour conditions, recycled materials, transparency regarding the raw materials used, repairability, durability and a well-thought-out recycling approach. Two mobile phone models sold by the Telefónica Deutschland Group since the reporting year can be repaired by the customers themselves in the event of damage.

The Telefónica Deutschland Group only dispatches mobile devices and SIM cards in boxes made of recycled material. To reduce transport volumes and avoid packing materials, the parcels are specifically tailored to virtually every device dispatched. In this way, the shipping carton for mobile devices and SIM cards was reduced from an average of 90 grams in 2019 to 30 grams in 2023. In addition, the company dispatches its parcels made of recycled materials to the customers and delivers climate-neutrally with DHL GoGreen. In a pilot project, the Telefónica Deutschland Group is currently testing the degree to which plastic stretch wrap, which is used in the area of pallet dispatch, can be replaced by a paper version.

Another example of resource conservation by means of packaging design is use of the half-size SIM card carrier format. This is 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. The Telefónica Deutschland Group issued around 11.9 million SIM cards in this carrier design to customers and partners in 2023, thereby avoiding approximately 24 tonnes of plastic usage

in the year under review. The Telefónica Deutschland Group began to gradually transition to eco SIM cards in the reporting year; these are made of more than 90 % recycled plastic. In this way, the company intends to reduce the volume of virgin plastic used for SIM cards in the medium term. The eco SIM cards are also being introduced gradually so that the conventional card carriers already purchased can still be used and do not go to waste. Customers can do without a physical SIM card entirely by opting for the eSIM. This embedded SIM connects to the mobile communications network via an electronically transmitted profile.

Repair service, refurbishment and recycling

The Telefónica Deutschland Group accepts mobile phones that still work as payment through a cooperation partner. Customers can use their used devices as payment via the hotline and online channel and at any O₂ shop – irrespective of where they were originally bought and irrespective of a new purchase. The partner refurbishes the mobile phones and puts them back into circulation. Mobile phones taken back by the company within 14 days of their purchase or as a gesture of goodwill are repaired by another logistics service provider if needed and then sold at a discounted price. In both cases, a data erasure process certified by DEKRA is used.

In all, the Telefónica Deutschland Group was able to refurbish and recirculate more than 42,900 devices in 2023 – the majority of them returned devices. Minor external blemishes, for example, are remedied without an entirely new casing being installed. Customers who have taken out mobile phone insurance cover with the Telefónica Deutschland Group can likewise send in their device for repair.

Furthermore, the O₂ mobile phone recycling programme allows consumers to dispose of their used devices responsibly. They can submit their devices at Telefónica Deutschland Group shops, via the online portal www.o2online.de ↗ and via the collection points of the cooperation partner Nature And Biodiversity Conservation Union (NABU). In 2023 the Telefónica Deutschland Group additionally brought this option to people's attention with a multi-day campaign entitled "The Art of Recycling" held at the O₂ Studio in the ALEXA shopping centre in Berlin: customers who handed in their old devices were rewarded with a digital artwork based on a 3D scan of their old mobile phone.

The data on working mobile phones is deleted via a TÜV-certified process and the devices are processed for remarketing, where possible, by the non-profit IT company AfB (Work for People with Disabilities). 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 Telefónica Deutschland Group was able to collect more than approximately 87,000 used mobile phones through its

mobile phone recycling programme in 2023. Approximately 25.7 tonnes of electrical waste were avoided in 2023 by refurbishing approximately 51,500 routers.

Information on device features and model ratings

Customer advice and information are key factors in the success of the company's 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. The Telefónica Deutschland Group has also pooled its sustainable customer offerings and information on a microsite in the O₂ online shop O₂ My Handy ↗. In this way, it is pursuing the goal of transparently teaching customers about relevant device features and environmental benefits and informing them about the 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 O₂ My Handy product page. The customers can therefore see information about mobile devices' durability, reusability, repairability, resource efficiency and climate efficiency at a glance.

Via the Blau brand, the Telefónica Deutschland Group has been offering used devices at special conditions as and when available since 2023.

Lowering paper consumption and using recycled materials

To significantly reduce its paper consumption, the Telefónica Deutschland Group developed a digital flyer in 2022 that has entirely replaced the product brochures and flyers printed on paper since July 2023. Prior to the changeover, 3 million flyers were printed on 75 tonnes of paper and distributed to, among other places, the points of sale every year. Together with the start-up Webmag, which is promoted by the company's own start-up accelerator Wayra, the Telefónica Deutschland Group incorporated the flyers into an online platform. Customers can access the online publications using a QR code.

The Telefónica Deutschland Group is also reducing its paper usage in customer services by, for example, seeking to engage in dialogue with the customers via 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 92.6 % at the end of 2023, meaning the Telefónica Deutschland Group achieved its goal for the reporting year of 92 %. The company wishes to further increase the proportion of online bills, if possible. For example, new customers who request paper bills are repeatedly made aware of e-billing. All those who use paper bills can find a QR code on the document enabling them to switch to the digital version.

Since 2022 framework agreements in the B2B area have predominantly been documented in digital form. This allows up to 100 pages of paper to be saved per framework agreement document. The documents were previously always issued in duplicate to make a copy each available to both the customer and the Telefónica Deutschland Group. The archiving of hard copies of these documents has now been eliminated. This also saves the documents being sent by post between the customer and the company as well as between different company sites.

Resource-efficiently modernising the network infrastructure

The Telefónica Deutschland Group operates its mobile communications network with around 31,600 mobile network sites. Of these, some 20,200 sites (roof and tower sites) and their passive infrastructure are owned by tower companies,[1] 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. The company therefore focuses 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.

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[1] Tower companies are generally founded by mobile network operators in order to jointly use infrastructure, thereby enabling faster and more cost-effective network expansion.

Social aspects

Own workforce

THE KEY FACTS:

✓ In the external audit for participation in the Corporate Health Award, the Telefónica Deutschland Group was rated "excellent" for the sixth time.

✓ When recruiting new employees, the Telefónica Deutschland Group in collaboration with the 2hearts cooperation specifically addresses people with a migrant background.

✓ Employee satisfaction is rising: in 2023 there was a year-on-year increase of 11.8 points, resulting in an eNPS of 78.0.

BASIC PRINCIPLE AND CHALLENGES
Guidelines for the digital working world

The Telefónica Deutschland Group wishes to advance the digital working world as an attractive employer. To do so, the company creates a framework within which the approximately 7,800 employees can optimally apply their diverse skills and take advantage of the opportunities offered by digitalisation. Here, the company focuses on hybrid collaboration, flexibility and productivity in order to accelerate the digital transformation – all while considering the individual employees' needs as well as the company's contribution to society. In this way, the Group wishes to strengthen its competitive position, safeguard its ability to innovate and rise to the challenges posed by the shortage of skilled workers.

The 5 Bold Moves serve as the Telefónica Deutschland Group's guidelines for the digital working world. One important objective of these five key initiatives is to boost employee engagement and loyalty by means of flexible work options. The aim is to make the most of the employees' potential across all the generations, genders and professional and personal backgrounds and enable staff to reconcile their various lifestyles with professional needs. Implementation of the hybrid working model which the Telefónica Deutschland Group introduced as the new collaboration standard after the pandemic was a success in the reporting year. Many employees continue to work together productively online, but in-person meetings are nevertheless still important (details of the 5 Bold Moves can be found in the "Strategic priorities" section).

High-quality training and professional development at the stages of life

The Telefónica Deutschland Group wishes to offer its employees high-quality training and professional development opportunities at all stages of life in order to boost their long-term employability with future-oriented skills. The focus here is on developing and enhancing digital and data-centred skills and embedding internal mobility and agility in the company. With its different ways of working, the digital working world presents not only employees, but also executives, with new challenges. For everyone to be able to jointly actively shape transformation, the Telefónica Deutschland Group is making targeted investments in the ongoing 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. The digital formats put to the test in the previous years such as interactive virtual live sessions were used again in 2023. It was additionally once again possible to organise executive development meetings or team building and team development meetings as in-person meetings.

Comprehensive health programmes

The Telefónica Deutschland Group is especially concerned with providing a safe work environment and maintaining and promoting the health of its employees. In particular in view of the ever-changing demands of the digital world, the company consciously assumes responsibility for the health and occupational safety of all its employees. The company therefore engages in comprehensive health management to promote the health of its employees and prevent work-related illness and workplace accidents.

With there currently being multiple overlapping crises with the war in Ukraine, war in the Middle East, inflation and the energy crisis, there is an increased risk of health problems and, in particular, psychological stress. The Telefónica Deutschland Group aims to identify these strains early on and effectively tackle them with health-promoting measures such as mental training

and relaxation courses. Comprehensive digital programmes aim to promote the health of all the employees.

Success founded on diversity

The Telefónica Deutschland Group attaches particular importance to equal opportunity and diversity. It firmly believes that diversity makes the company more innovative and more efficient 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 the Group's ability to compete. The Telefónica Deutschland Group wishes to play its part in creating a resilient society and economy with a work environment in which people are appreciated for their differences. With the directorate Corporate Innovation, DE&I and Culture with responsibility for the topics of diversity, inclusion, innovation and culture, the Telefónica Deutschland Group is increasing the degree to which these topics are embedded in the company (for more information, see the "Preventing discrimination and promoting diversity" section).

The company sets great store by interactions founded on fairness, working together as partners and an inspiring motivating work environment. The Telefónica Deutschland Group wishes to remain an attractive employer for its employees as well as for external applicants in the future on the basis of appropriate measures and in ongoing dialogue with its staff. Using various initiatives, it seeks to inspire young talent in particular, for example people with a migration background, and promote their development. Qualified junior staff with different perspectives and backgrounds ensure a good generational balance and are an important prerequisite for innovation.

A good gender balance is especially important to the company: the Telefónica Deutschland Group has enshrined endeavours to make women in management positions successful and to increase the proportion of women in top management in its 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.

Guaranteeing fair labour conditions

The human rights to which the Telefónica Deutschland Group is committed include the right to non-discrimination and the right to fair labour conditions. It is not only in global supply chains and production facilities that there is a risk of violations and actual human rights infringements such as forced labour and modern slavery – the Global North is likewise by no means immune to human rights risks. Guaranteeing, for example, fair labour conditions is relevant in this context, on the basis of labour and social standards regarding, among other things, occupational safety and employee health, observing work hours and fair remuneration. The Telefónica Deutschland Group advocates compliance with and the protection of human rights and social standards within the company and all along its supply chain (for more information, see also the "Human rights and social standards along the supply chain" section).

Concerted efforts

Employee engagement is a key factor in the success of the Telefónica Deutschland Group – and the potential of the approximately 7,800 employees to pull together in society to promote the responsible handling of digital transformation is just as big. With the involvement of the executives, the Telefónica Deutschland Group therefore creates a work environment to which the employees actively contribute with their achievements, their ideas and their social engagement, for example during a volunteering week on the topics of education and inclusion. The employees are also personally involved in emergency aid, among other things for refugees from Ukraine and with donations for the earthquake regions in Syria, Turkey and Morocco.

PROCESSES AND MANAGEMENT
HR development and organisational development combined

The Telefónica Deutschland Group changed the name of the Human Resources department to Organizational Development & People (OD&P) in 2023. The new title goes hand in hand with a strategic realignment: in addition to handling the traditional HR topics, the team is instrumental in advancing the company's cross-departmental further development and transformation. Among other things, this involves making the core processes more efficient as well as freeing up resources and unleashing potential for growth topics.

On the Management Board, overarching responsibility for the workforce is held by the Chief Organizational Development & People Officer. With the help of its HR strategy, the Telefónica Deutschland Group manages its measures and processes and identifies focal issues. The policies regarding human rights, equality and anti-discrimination contain principles and guidelines for handling its employees. Like the Business Principles, these are binding for all the employees.

Regular feedback from the employees

Employee surveys are conducted regularly to assess the attractiveness of the work environment and the progress made with the core issues regarding company-wide digital transformation. This includes an interim survey conducted during the year known as the Pulse Survey and the annual global Employee Experience Survey. Both of these surveys are conducted online, anonymously and voluntarily among all internal employees, temporary staff, trainees, dual-studies students and working students in the Telefónica Deutschland Group. The values measured include the employee Net Promoter Score (eNPS), which is a sign of the likelihood of employees recommending the Telefónica Deutschland Group as an employer. It is therefore a key indicator of the Group's attractiveness as an employer. Scores are also calculated for agility, leadership skills and mobility.

In the employee survey conducted at the end of 2023, the company achieved an eNPS of 78.0, an increase of 11.8 points on the score for the 2022 year-end survey (66.2). Anything above zero means the majority of the employees are happy and would recommend their employer. The eNPS has risen continuously over the past few years. Key drivers for this reporting year include the corporate culture, collaboration within the teams and the high degree of flexibility in terms of working hours and location. The work-life balance also makes a particular contribution to the eNPS.

T 05
Labour–management relations

	Unit	2023	2022	2021
Employee Net Promoter Score (eNPS)	Score	**78.0**	66.2	60.4
Response rate	%	**79**	79	77

Other results show that 94 % of the employees feel part of a team in the Telefónica Deutschland Group's world of hybrid work. They also feel that progress is being made successfully concerning core transformation topics such as development of key future skills, mobility within the company, and diversity. They also see the topics as the foundations for their own continuing professional development. Of those surveyed, 93 % (2022: 93 %) identify with the Telefónica Deutschland Group's business purpose – they agree with the statement that what the Telefónica Deutschland Group does has a specific purpose and that society benefits from this.

The response rate for the survey was 79 % in 2023, representing a steady participation level. Together with the Pulse Survey conducted during the year, the global Employee Experience Survey plays a part in the Telefónica Deutschland Group regularly reviewing the progress it has made regarding its key HR strategy topics on the basis of data and then implementing targeted measures. The results are additionally made available to executives in a digital dashboard, where they can see the figures for their division and derive measures accordingly.

Establishing a feedback and learning culture

According to the 2023 employee survey, 93 % (2022: 90 %) of the employees had an appraisal of skill and knowledge development with their executive at least once during the year. 69 % had such an appraisal at least once every six months (2022: 69 %). The Telefónica Deutschland Group intends to further increase these quotas: annual development meetings have been mandatory for employees of Telefónica Germany GmbH & Co. OHG since the reporting year. A new performance management process was introduced for all employees at the OHG company in the previous year, enabling executives to give the employees structured, regular and future-oriented feedback. The development meeting, which is at the heart of the new process, gives employees the opportunity to consider their performance on the basis of concrete dimensions together with their executive,

define development goals and establish supporting measures. The objective is to establish a growth- and solution-oriented feedback culture as a culture of learning which promotes further development and is motivational.

The employee survey shows that the opportunities for all staff to develop further are considered fair (86 %). There should be further expansion of development options that are targeted, diverse and take employees' specific needs into account. OD&P has been engaging in even closer dialogue with the individual divisions since the end of 2022 in order to supervise the discussions being held there regarding the need for specific expertise and skills, jointly determine where there are still gaps and recommend suitable measures to close these gaps. The significance of training and education for the employees is enshrined in the Business Principles ("Professional development") and expanded on in the HR strategy. The employees spent an average of 15.6 hours on training and education in the year under review. This represents a slight year-on-year drop (2022: 16.2).

T 06
Training and education

	Unit	2023	2022	2021
Average hours of training and education per year per employee[1]	Number	**15.6**	16.2	17.6

[1] The calculations from the financial year 2021 onward were made on the average employee basis of active staff (excluding external consultants and temporary employees) for the Telefónica Deutschland Group's respective reporting year (Ø PIP 2021: 7,403; Ø PIP 2022: 7,054; Ø PIP 2023: 7,305).

Strong representation of the employees' interests

Employee representatives at all the sites advocate for the employees' interests. Germany's Works Constitution Act (BetrVG) affords employee representatives far-reaching authority, thereby strengthening employees' rights. Disabled persons and workers with equivalent status are afforded special legal protection by Book IX of Germany's Social Code (SGB). Their interests are safeguarded by disabled employee representatives within the company. The Telefónica Deutschland Group's Inclusion Officer sees to it that the company's duties to protect and support disabled employees are observed.

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 offices 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. The right to freedom of association and collective bargaining is part of the Telefónica Deutschland Group's Declaration of Principles on Respecting Human Rights.

Preventing discrimination and promoting diversity

With the Declaration of Principles on Respecting Human Rights ⤢, the Human Rights Policy ⤢ and the Diversity & Inclusion Policy ⤢, the Telefónica Deutschland Group has made a commitment to fair, respectful and non-discriminatory treatment as the foundations of successful collaboration. The company has also underpinned this commitment by signing the Charta der Vielfalt (Diversity Charter). The Telefónica Deutschland Group's actions are furthermore guided by the United Nations' standards of conduct for tackling discrimination against LGBTQI people, to which it is a signatory (2021). In addition, the Equality Policy ⤢ reaffirms the fact that the work environment should be free of harassment and discrimination and that there should be equal opportunity regarding employment, job classification and career development. Related to this is the attempt to increase the proportion of employees with disabilities in the company. A new directorate was created in 2022 which reports directly to the Chief Organizational Development & People Officer and is responsible for the topics of diversity, inclusion, innovation and culture. The management team wishes to promote diversity regarding perspectives and realities of life across all positions and hierarchical levels.

If the Business Principles, the Declaration of Principles on Respecting Human Rights, the Human Rights Policy or other company policies are violated, for example in the form of bullying, discrimination or harassment, employees can contact a confidential whistle-blower system with an independent ombudsperson or the human rights reporting channel. More on the whistle-blowing channel, employee training on treating each other ethically and the Business Principles can be found in the "Business conduct" section. The online training provided regarding Germany's General Act on Equal Treatment (AGG), which focuses on anti-discrimination and on promoting diversity and inclusion, is mandatory for all employees every three years. Up to the end of the reporting year, 93.5% of the employees had been given training on the AGG in the past three years, equating to a total of 5,214 training hours.[1]

Zero tolerance of forced labour, modern slavery and child labour

The Telefónica Deutschland Group does not tolerate any forms of forced labour, modern slavery or child labour (zero tolerance). All forms of work or service must be founded on voluntariness and may not be performed under threat of punishment. This includes, for example, the use of (physical) violence, the restriction of freedom (of movement), the withholding of wages (incl. recruitment fees) and the confiscation of personal documents. Children under the age of 15 may not pursue gainful employment. Adolescents aged between 15 and 18 who have access to the labour market in accordance with local legislation enjoy special protective rights.

Reducing gender pay gaps

The Telefónica Deutschland Group is committed to reducing and eliminating gender pay gaps for work of equal value. The Telefónica Deutschland Group analyses the gender pay gap, i.e. the difference in the average pay of men and women, in detail and has succeeded in reducing this pay gap in recent years.

The Telefónica Deutschland Group had an unadjusted gender pay gap of 16.5% in the year under review (2022: 18.2%). From 2019 to 2023 the gender pay gap fell by 5.8 percentage points. In addition, an estimation model is used to also calculate what is known as the adjusted gender pay gap, which is a measure of the difference in the remuneration of men and women in comparable positions and with comparable experience and which therefore serves the more accurate management of fair pay. There was an adjusted gender pay gap of 1.5% in the reporting year (2022: 1.8%). The Telefónica Deutschland Group is currently preparing for the changes that will be triggered by the EU pay transparency directive, which will result among other things in expanded information and reporting obligations from 2026. The CEO pay ratio[2] was already calculated this year (2023: 39.5).

T 07

Diversity, equal opportunity and non-discrimination

	Unit	2023	2022	2021
Women in senior management (incl. Management Board)	%	32.2	32.1	28.8
Confirmed incidents of discrimination and corrective actions taken	Number	0	0	0
Gender pay gap	%	16.5	18.2	19.5
Gender pay gap (adjusted)[1]	%	1.5	1.8	n/a

[1] The calculation of the gender pay gap (adjusted) is based on the employees of the Telefónica Deutschland Group who are either active or on paid leave (2023: 7,246).

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[1] Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation for the training regarding the AGG includes the training completed in the reporting years 2021 to 2023, as this training is mandatory every three years. This means the 2023 figure for completed training is 6,952, which covers 1 January 2021 to 31 December 2023.
[2] The CEO pay ratio is calculated by dividing the CEO's target annual remuneration by the median target annual salary of all employees (excluding the CEO). Median target annual salary means that half of the staff have a higher target annual salary and the other half has one that is lower.

Holistic health policy as the bedrock

The Telefónica Deutschland Group is building on its integrated occupational health and safety management system as derived from a holistic health policy with the following objectives:

- Preventing workplace accidents and work-related illness
- Promoting employee health through targeted measures
- Increasing work satisfaction and dedication
- Promoting constructive and respectful cooperation
- Mutual consideration

The "Integrated occupational safety and health management manual", which applies to all the employees of the Telefónica Deutschland Group, serves as the basis here. This 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.

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 OD&P Digital, Data & Solutions directorate reports to the Management Board on the latest and relevant developments in the area of occupational health and safety.

To create and maintain safe and healthy workplaces, the company performs risk assessments for both physical and mental health as required by health and safety law and acts 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. The company's 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.

The Telefónica Deutschland Group also performs 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 participation in the Corporate Health Award, the Telefónica Deutschland Group was placed in the "Excellence" category for the sixth time. The company also received the 2023 special award for health communication here. Regular training and instruction are conducted to further improve the employees' safety awareness. This includes web-based training on the topics of general occupational safety in the offices and shops, fire safety and work conducted at height as well as information events and courses to minimise psychological stress. An additional instruction module has been created for employees who engage in mobile working.

The half-yearly 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 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 health and safety committees and bodies is 100%. The Health Forum also serves as a platform for sharing information and for advice and inspiration. Agreements with the social partners (employee representatives) are covered by formal written works agreements dealing with health and safety topics.

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

The Telefónica Deutschland Group defined its future ways of working with its 5 Bold Moves and embedded these step by step within the company, for example by means of specific information events, supplementary material and coaching for executives and employees. The company was able to further establish its hybrid working model in the reporting year. The five key initiatives help to accelerate the 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 the company-wide 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[2] – significantly fewer internal business trips

With the increasingly digital way of working and the workplace and work time flexibilisation that come with these initiatives, the Telefónica Deutschland Group is improving the reconcilability of different lifestyles with professional needs and is promoting inclusion with a view to offering new opportunities in terms of women in management positions. Job flexibility has been proven to promote gender equality and leads to a reduction in income gaps between women and men.[3]

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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 required to observe our instructions regarding the handling of hazardous substances.
[2] Reduction in business trips between national and international Telefónica sites by 70% in comparison to 2019. For more information, see the "Climate change" section.
[3] Source: Nobel laureate Claudia Goldin on flexibility, equal opportunity and "greedy work" | manager magazin (manager-magazin.de).

With the hybrid work model, the company additionally makes it possible for the employees to improve their personal environmental footprint in their day-to-day work. By increasingly working from home and using videoconferences, they are contributing to a reduction in traffic volumes and the corresponding pollutant emissions. In-person meetings nevertheless remain important, in particular in view of the fact that teams now collaborate across multiple sites as a result of the successful Germany-wide recruitment strategy.

To promote open communication within the company, various formats are in place, including involving the Management Board and employees. These include regular digital dialogue meetings with executives and a digital format which gives employees the opportunity to engage directly with the Chief Organizational Development & People Officer and obtain information on changes which are relevant to them, ask questions and give feedback.

Diverse opportunities for diverse people

The Telefónica Deutschland Group firmly believes that diversity enhances not only society, but also collaboration. The company is actively involved in the Telefónica Group's Global Diversity Council and promotes diversity in a variety of ways: the Telefónica Deutschland Group's workforce includes people from 77 different countries, talented young individuals, older members of staff and, for a number of years now, two women on the Management Board.

When recruiting new employees, the company specifically addresses people with a migrant background. Since the year under review, the Telefónica Deutschland Group has been collaborating with 2hearts, a community of people with a migrant background who already work or wish to work in the tech industry. In February 2023 the company sponsored an event at which the more than 200 participants were able to talk to and network with the executives and HR heads of various tech companies. Telefónica Deutschland Group employees were there too, on the lookout for new talent.

Since the reporting year, employees who do not speak German have been able to have the Telefónica Deutschland Group's intranet articles translated into English at the press of a button, enabling them to learn about company developments. This automated service based on the online service DeepL is helping to break down language barriers.

The employees themselves appear to be happy with the opportunities that the company offers: 86 % of them stated in the company-wide survey conducted in late 2023 that they experienced pronounced equal opportunity when it came to development and promotion prospects. The flexibility of being able to decide themselves when and where they work in Germany makes the Telefónica Deutschland Group an attractive employer for employees at various stages of life. For the Telefónica Deutschland Group, equal opportunity also includes equal access to digital skills – this is an important element of participation in the working world. With the Digital

Basics Learning Journey, for example, the employees are offered content that can be easily incorporated into their daily working lives (for more information on the programme, see the "Teaching digital skills" section).

Improved career prospects for women

Increasing the proportion of women in management positions is a key concern for the Telefónica Deutschland Group – the company just missed its target of having more than 33 % women in senior management by the end of 2023, achieving a level of 32.2 %. Since 2022 it has also given this non-financial target a greater weighting in the calculation of the Management Board's variable remuneration – it now has a weighting of 3 % compared to the previous weighting of 1 % (more on the bonus system in the "Business conduct" section).

Teaching digital skills

The Telefónica Deutschland Group wishes to offer all employees the opportunity to grow personally and professionally. One of the initiatives developed with this in mind is the Digital Basics Learning Journey. It teaches the basics of and key terms relating to the most important technologies and trends of digital transformation in order to increase the workforce's digital fluency. In this way, the Telefónica Deutschland Group is enabling all the employees to participate in the digital transformation, seize opportunities and realise their full potential.

To do justice to one of the programme's key aspirations – the inclusion of all employees – e-training is made available to the target group of sales and call centre agents that can be incorporated into their work reality well in terms of format, duration and content. From autumn 2022 to spring 2023, all the employees were also offered additional live dates covering the latest developments relating to the metaverse, automation and artificial intelligence, with ethical issues likewise being addressed such as the conflicting priorities of automation and job development. Telefónica, S.A.'s talent and innovation hub Universitas likewise introduced a new global digital learning programme in 2023, teaching the digital basics in the areas of data-centric organisations, industry trends, a growth mindset and digital thinking in masterclasses and courses lasting a number of hours.

More than 3,800 employees have participated in the Digital Basics Learning Journey since the programme was introduced in 2021, thereby further expanding their knowledge concerning the fundamental topics and trends of digital transformation. With the Agile Learning Journey learning programme launched in the previous year, the Telefónica Deutschland Group is pursuing the goal of offering all employees and executives uniform learning opportunities on the topic of agile ways of working. The programme comprises learning formats along three different paths – there are self-learning, deepening and expert formats. The expert path includes certified further development for employees to become a scrum master or product owner. These should help the company achieve customer-oriented results, be better at responding to the changing market requirements and establish a culture of continuous improvement. Key

offerings on the topic of data and artificial intelligence were likewise continued together with the long-standing cooperation partner StackFuel. More than 500 employees have undertaken continuing education and training with the aid of StackFuel since 2020 and can now handle activities that require greater data skills all the way through to programming. In total, more than 1,200 employees[1] were reached with this and other key upskilling learning opportunities in the year under review (not including LinkedIn Learning).

Coaching, too, is an integral part of the employees' further development. During the reporting year, a total of 20,844 hours of coaching were given in the company in addition to the 113,732 hours for training and development in 2023.

The Telefónica Deutschland Group uses BEYOND, a platform based on artificial intelligence, to promote internal mobility within the company. The employees are presented with suitable development opportunities based on their skill profiles, such as vacancies, job rotations or project assignments. In this way, the Telefónica Deutschland Group encourages its 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 BEYOND platform was updated to a new version in 2023, leading to an improvement in functionality for the users. In addition, the option of part-time job rotation was introduced this year, to offer even more employees the opportunity of a temporary job change. Employees can now use up to 40 % of their available capacities for a job rotation, meaning they no longer have to completely switch roles. In the year under review, almost 38 % of the vacancies were filled internally in this way and there were more than 90 job rotations.

Strengthening executives and promoting up-and-coming talent

The leadership journeys are a way for the Telefónica Deutschland Group to make a targeted investment in its 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 2023 included individual coaching and team workshops together with professional trainers. There was also work in 2023 on implementing the individual development plans which resulted from the development audits conducted with the top 200 executives in 2022.

The Telefónica Digital Transformation Program involving young experienced talent now has new groups starting all the time. It focuses on skills in the data, technology and commercial areas. These qualification profiles are of major strategic and interdivisional importance to the company. The young professionals' stations include local and international project assignments and job rotations within various divisions as well as at the company's own Wayra start-up accelerator. They are mentored by someone at the Management Board or directorship level.

The offering for trainees and dual-studies students was continued. The Telefónica Deutschland Group recorded 63 new recruits in 2023 – 2.5 times as many as in the previous year. 121 talented young employees are currently active. In addition, interns and working students are offered the opportunity to make a success of their subsequent career starts by giving them initial insights into the business environment. A trainee retention rate of 63 % was achieved in 2023. Some trainees chose other options in spite of being offered a position at the company, for example deciding to pursue a new challenge in a different industry. The Telefónica Deutschland Group continues to strive to increase its trainee retention rate.

Taking care of health

With digital programmes, the Telefónica Deutschland Group provided its employees with a variety of offerings to get them moving, encourage them to eat healthily, break down stress and overloading, and increase their resilience. Once again in 2023 there was a focus in particular on the preservation of health when working from home. The online offerings in the form of motivational speeches, sports and relaxation courses, and Deep Dive Workshops were mostly recorded, meaning the employees could retrieve the content from anywhere and at any time via an online media library.

The new O₂ Telefónica Feel Good app was launched in 2023. This app serves as the digital basis for needs-based and targeted offerings in the area of prevention-oriented health promotion and offers the employees an easy entry point into the Telefónica Deutschland Group's Feel Good programme. This app will henceforth serve as the basis for the digital Feel Good offering and Group-wide challenges. It was used in the O₂ Telefónica Run+ and in the Feel Good Mental Health Challenge. Approximately 30 % of the workforce participated in the challenges.

As part of a firmly established health campaign, the Telefónica Deutschland Group once again offered its executives innovative mental training in 2023 in order to enhance their mental health. In addition, the training for executives on mental health in the digital (hybrid) work environment introduced in the previous year was regularly offered. This looks at how executives can recognise when their employees are experiencing psychological difficulties and how to deal with such issues even if they do not work in the same physical place. The Telefónica Deutschland Group was able to further increase the reach of its health promotion offerings through the use of digital solutions. In terms of work–life balance, the assistance provided included virtual advice in the areas of life situation coaching, childcare and care for the elderly.

There was an absenteeism rate of 5.2 % in the year under review, which represents a slight reduction. On the one hand, the number of employees rose during the reporting year, while, on the other, both the total number of sick days and of workplace

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[1] Those employees who have at least once completed training offered by the upskilling learning opportunities (StackFuel, data journey, agile journey, Digital Basics and cloud journey).

accidents resulting in lost days decreased. The majority of the accidents were commuting accidents. These primarily related to employees travelling in commuter traffic. The Telefónica Deutschland Group is unable to prevent these commuting accidents, but it does precisely monitor accident reports in order to be able to react quickly if accidents occur more frequently in the company's sphere of influence. The employees are taught about occupational health and safety and about accident prevention in webinars and can also participate in driver safety training offered by the employers' liability insurance associations. The rate of lost days due to workplace accidents was 4.7 % in the reporting year.

No occupational diseases were reported for the employees of the Telefónica Deutschland Group in 2023. The employers' liability insurance associations and other statutory accident insurance organisations keep a Germany-wide list of recognised occupational diseases and record all the reports made by employees, health professionals and businesses.

T 08

Employee health and safety

	Unit	2023	2022	2021
Absenteeism rate[1]	%	5.2	5.9	4.9

[1] The absence rate is calculated by dividing the number of sick days by the result of 250 target working days multiplied by the average of the total workforce (Ø PIP 2023: 7,644).

Human rights and social standards along the supply chain

THE KEY FACTS:

✓ The Telefónica Deutschland Group thoroughly revised its Declaration of Principles on Respecting Human Rights in 2023.

✓ In the year under review, the company further implemented a due diligence system to respect and protect human rights and incorporated the requirements as per the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG).

✓ The company performed a detailed risk analysis based on the LkSG in 2023.

BASIC PRINCIPLE AND CHALLENGES
Protecting human rights and minimising risks

The Telefónica Deutschland Group advocates compliance with and the protection of human rights and social standards within the company and all along its supply chain. The company is aware of the fact that there is the potential for human rights violations throughout the value chain based on its business activities. The Telefónica Deutschland Group has been reporting the topic of human rights and social standards along the supply chain as material since the previous year. It recognises extensive impact potential: freedom of expression in the digital world, fair labour conditions in a global economy and a clean and healthy environment are just a few examples of rights which the Telefónica Deutschland Group plays a material part in their being upheld, both internally (employees) and externally (suppliers and customers).

The Telefónica Deutschland Group firmly believes that assessing and managing the impacts of its activities on human rights is fundamentally important for the sustainability of its business. Identifying and monitoring sustainability risks both in the supply chain and at its own sites (for more information, see the "Own workforce" section) is especially important to the Telefónica Deutschland Group in order for it to nip the emergence of damage in the bud. Compliance in the area of human rights additionally serves its reputation and its ability to compete.

Making supplier relations sustainable boosts the Telefónica Deutschland Group's resilience and enables it to identify the risk of any social or environmental regulations being violated early on and implement countermeasures. This is dependent upon there being trusting supplier relations and maximum transparency, which the company wishes to achieve by analysing its supply chain structures and identifying country-specific and product-specific risks.

Declaration of Principles on Respecting Human Rights and Human Rights Policy

In addition to its Business Principles, the Telefónica Deutschland Group also makes commitments in the Declaration of Principles on Respecting Human Rights ↗. The Declaration of Principles was comprehensively overhauled in 2023 with the involvement of the relevant internal stakeholders in order to reflect the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). It explains the Telefónica Deutschland Group's human rights and environment-related areas of action and describes all the components implemented as part of the due diligence system for human rights. The Declaration of Principles was signed by all the Management Board members. It references, among other things, the guidelines of the Organisation for Economic Co-operation and Development (OECD), the Conventions of the International Labour Organization (ILO) regarding labour and social standards, the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the Ten Principles of the UN Global Compact.

The Telefónica Deutschland Group's Human Rights Policy ↗ explains the company's obligations to uphold human rights and establishes the related general principles and guidelines. It lays out in detail action guidelines for the key stakeholder groups, such as the customers, employees, society and business partners. The policies mentioned are regularly reviewed and, if necessary, adapted.

The Telefónica Deutschland Group has been extending responsibility for upholding human rights to its suppliers and sub-suppliers as well for over ten years now. The minimum requirements made of suppliers and sub-suppliers regarding the observance of human rights are set out in the Supply Chain Sustainability Policy (SCSP) ↗. This was comprehensively revised

and expanded in the previous year to include the human rights and environment-related aspects of the LkSG. Suppliers must implement internal processes that adequately take into account the due diligence obligations governed by the LkSG. Suppliers are required to accept the global SCSP during registration in the supplier registration portal in order to be able to proceed with the commissioning process. To participate in an invitation to tender in Germany, suppliers must accept the local SCSP.

Implementation of the LkSG

Since 2023 Telefónica Germany GmbH & Co. OHG and its subsidiaries have been obliged to comply with Germany's LkSG. The LkSG governs companies' responsibility for implementing human rights and environment-related due diligence obligations internally and in the supply chain.

The Telefónica Deutschland Group supports the goal associated with the law of establishing governance for responsible corporate management and fair supply chains in which high human rights and environmental standards apply. In the year under review, the company implemented a due diligence system to respect and protect human rights which incorporates the LkSG requirements. The company also continuously engaged with internal and external stakeholders regarding implementation of the LkSG. As the organisation is adapted to the legal requirements, the Purchasing department will be afforded greater responsibility regarding the development of procurement strategies and supplier assessments.

At the EU level, the trilogue for a Corporate Sustainability Due Diligence Directive (CSDDD) was initiated in 2023. The aim of the CSDDD is to establish an EU-wide legal framework that obliges companies to implement human rights and environment-related due diligence obligations in their business area and in their supply chains. The draft law is more comprehensive than Germany's LkSG. The Telefónica Deutschland Group therefore already focused on preparing for the new legislation in 2023.

PROCESSES AND MANAGEMENT
Due diligence system to respect and protect human rights

The Telefónica Deutschland Group's due diligence system to respect and protect human rights 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. These Guiding Principles concretely describe the due diligence approach as it relates to potential and actual impacts of business activities on human rights globally. The concept for a human rights due diligence system derived from

this involves companies establishing procedures for determining their potential and actual negative impacts on people and taking action to prevent and avoid such impacts and, insofar as damage has already been caused, to end or remedy them. The due diligence system was adapted to the requirements of the LkSG in 2022 and 2023.

The process comprises five components:

1. Risk management and responsibilities
2. Risk and impact assessments
3. Preventive measures and process integration
4. Monitoring and reporting
5. Complaints and remedial actions

STRATEGIC PRIORITIES
Implementation of the due diligence system for human rights

1. Risk management and responsibilities

The Management Board of the Telefónica Deutschland Group bears responsibility for reviewing the performance and implementation of its human rights and environment-related due diligence obligations. The Director of Corporate Responsibility & Sustainability (CR&S), who was appointed Human Rights Officer as of 1 January 2023, engages in ongoing dialogue with the Management Board. The Management Board is notified at least once a year about the work of the Human Rights Officer and the progress made with implementing risk management and the due diligence processes.

Being a cross-cutting issue, human rights matters are handled interdisciplinarily at the Telefónica Deutschland Group. The Telefónica Deutschland Group's Human Rights and Environment Committee supports exchange and collaboration between the departments. The CR&S directorate is responsible for steering the committee as well as for implementing and monitoring the human rights and environment-related due diligence obligations. The committee comprises representatives of CR&S, Compliance, Legal and Capital Market Law, Data Protection, Organizational Development & People, Corporate Innovation and DE&I, the Inclusion Officer, and representatives of Telefónica, S.A. 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 to the employees of affiliated companies, assume additional responsibilities based on their areas of activity. This includes the pooling of topic-specific expertise in the company and ensuring compliance with the LkSG.

Among other things, the committee is entrusted with processing human rights and environment-related complaints. This affords the Telefónica Deutschland Group swift agency when it comes to responding to or handling incidents regarding human rights or the environment that are reported via the human rights inbox or the ombudsperson or concerning any modifications needed in management approaches and policies. The Human Rights and Environment Committee regularly reports among others to the employee representatives and the Economic Committees.

2. Risk and impact assessments: identifying human rights risks and areas of action

Regular risk and impact assessments help the Telefónica Deutschland Group understand what impact its activities, business relations, products and services have on human rights and how it can adapt its internal strategies and processes to address the risks and opportunities identified. The Telefónica Deutschland Group assesses the human rights risks in its own business area and in relation to its direct suppliers at least once a year as part of its company-wide risk management process. The company also conducts ad hoc assessments where necessary.

As the first step, the Telefónica Deutschland Group assesses its risks based on an abstract view. It uses, for example, country, site, product and service risks to draw up a comprehensive risk profile. To assess risks in the supply chain, the company uses an AI-based supplier monitoring tool it developed itself and a cloud-based supplier assessment platform.

The second step involves assessing the concrete risks. It is important to the Telefónica Deutschland Group that the risks are considered from the perspective of those affected and are prioritised according to assessment criteria. To this end, the company determines the risks' severity (degree of negative impact, number of people affected or size of the environmental areas affected, irreversibility) and probability of occurrence. It also assesses the part the Telefónica Deutschland Group plays in causing the risks and its ability to influence remediation or avoidance of the risks.

Risk assessment for the supply chain

As part of the legal requirements of the LkSG, the Telefónica Deutschland Group performed a comprehensive assessment for the first time in the reporting year of the concrete risks of all the direct suppliers and in especially risky lower supply chains. In this assessment, it identified and analysed not only suppliers, but also risky products and services as well as sourcing countries. Internal and representative external sources were drawn on for the risk assessment in order to gain an informed understanding of the risks. For example, the company consulted past sustainability assessments and audits as well as the reports of external stakeholders. The results of supplier self-assessments regarding human rights topics were additionally incorporated into the concrete risk assessment. Interviews were also conducted with those responsible in the Purchasing department, so as to include their perspective in the assessment. Based on this information, the Telefónica Deutschland Group prioritised the risks in line with the adequacy criteria as stipulated in the LkSG. The assessment results provide a substantiated information basis for buyers and serve as a starting point for preventive measures to minimise human rights risks in the company's value chain.

The Telefónica Deutschland Group makes use of a number of monitoring tools that allow for the ongoing observation of sustainability risks in the supply chain above and beyond concrete risk assessment. For example, suppliers are standardised and automated in the area of sustainability (ESG) on the basis of self-assessments. The topics covered include environmental protection, human rights, occupational health and safety, diversity, anti-corruption, supply chain responsibility, data protection, cybersecurity and conflict minerals. Via its own AI-based supplier monitoring, the Telefónica Deutschland Group is notified of any negative digital reports regarding sustainability, for example in NGO reports or on social media channels.

The buyers review their supplier database using Factiva, a database created by Dow Jones Risk & Compliance. This screening is performed on a daily basis. Thanks to this tool, potential risks relating to ethical conduct and corruption can be identified and the existing processes for compliance with the anti-corruption guidelines can thus be strengthened.

By the end of 2023, the Telefónica Deutschland Group had assessed and prioritised 100 % of its direct suppliers[1] regarding human rights and environment-related topics on the basis of the adequacy criteria stipulated in the LkSG. In addition, 79 % of the suppliers were audited regarding sustainability aspects on the basis of supplier[2] self-assessments.

The Telefónica Deutschland Group sees performing risk assessments as an ongoing process that has to be continuously adjusted and developed. The conclusions drawn from the risk assessments are incorporated into the company's processes and measures are determined for the priority risks. The Telefónica Deutschland Group regularly reviews their effectiveness.

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[1] The risk analysis in accordance with the LkSG was carried out on the basis of supplier data for the 2022 reporting year.
[2] Proportion of Telefónica Deutschland Group suppliers registered on the IntegrityNext platform in the reporting years 2022/2023 that were screened with regard to sustainability aspects – including human rights and working conditions, occupational health and safety, environmental criteria (% in relation to the total number of invited suppliers).

3. Preventive measures and process integration

In the context of its due diligence system, the Telefónica Deutschland Group addresses human rights risks related to its business activities and relations. To prevent risks, the risk assessment results have been incorporated into the company's processes. It also implements appropriate preventive measures in its own business area and together with its suppliers and business partners. Here it not only adapts and improves existing measures, but also develops new approaches. The Telefónica Deutschland Group also monitors risks assessed as being low in order to be able to implement preventive measures swiftly in the event that there is a change for the worse.

The Declaration of Principles and the Human Rights Policy are the primary guidelines for all Telefónica Deutschland Group employees to respect and protect human rights (see "Declaration of Principles on Respecting Human Rights and Human Rights Policy").

The Telefónica Deutschland Group produced a manual covering its human rights strategy for the employees in 2023. This defines the processes and structures of the due diligence system that are required for fulfilment of the human rights due diligence obligations as per the LkSG. It is designed to offer employees guidance and enable them to take action in relation to the concrete human rights aspects relevant to their respective departments and which need to be observed. The manual was made available to all the employees on the intranet.

95.1 % of the employees were also given training in human rights issues over the past three years as part of mandatory training on the Business Principles. The training was thoroughly revised in 2022 to place a greater focus on environmental, social and governance (ESG) aspects (see "Business conduct" section).

Together with other training, the Telefónica Deutschland Group wishes to ensure that its employees are familiar with, understand and correctly apply the LkSG, the human rights strategy and the due diligence system. It has been available to all the employees in the company-wide training portal since 2023. All the Management Board members have committed to participating in the training. The training is also available to suppliers on the website (human rights).

To strengthen human rights in the supply chain, the Telefónica Deutschland Group conducted 248 on-site audits in the areas of employee health and safety and sustainability, introducing 85 improvement measures in the process. The risk assessment conducted in 2020 for the area of services and works showed that factors that foster risks such as opaque subcontractor structures and false self-employment apply in particular to service processes. The Telefónica Deutschland Group in 2022 therefore audited two suppliers in the logistics and customer service industries and in the reporting year in the networks and facility industries with an international certification company.

Both suppliers showed a high level of compliance of 95 %. Only a few improvement measures were identified in the areas of health and safety, and the environment and included in an action plan.

The Telefónica Deutschland Group will continue to pursue the goals it set itself in its Responsible Business Plan 2025 in the area of sustainable supply chain management. Firstly, by 2025 100 % of suppliers must be able to present an external sustainability assessment (including human rights) on the cloud-based platform IntegrityNext. Secondly, the company wants to broaden the sphere of action of its Supply Chain Sustainability Policy (SCSP): 100 % of the new suppliers processed via the Telefónica Deutschland Group's purchasing system have made a commitment to comply with the SCSP.[1] As such, the Telefónica Deutschland Group already takes sustainability criteria into account in the registration process and for its entire MCT purchasing volume. The company was already working in the reporting year on getting suppliers outside this purchasing process (non-MCT) to likewise accept the SCSP. This relates, for example, to low-value purchasing processes and cross-company transactions such as licences and donations. These suppliers were asked in 2023 to accept the local SCSP.

4. Monitoring and reporting

The Telefónica Deutschland Group reviews the effectiveness of its risk management and the due diligence processes annually and on an ad hoc basis. Here, it pays particular attention to assessing the effectiveness of the preventive measures and remedial actions and also of the complaints procedure (see points 3 and 5). The company uses regular checks to ascertain whether its implementation is effective in terms of preventing or eliminating human rights and environment-related risks. The progress made in the due diligence processes is gauged using appropriate performance indicators.

Monitoring the risk management system is the responsibility of the Human Rights Officer. The impact assessments are also updated by Telefónica, S.A. every four years and by the Telefónica Deutschland Group biannually regarding its own business operations.

In an annual report it submits to the Telefónica Deutschland Group's Management Board and Group Works Council, the Human Rights and Environment Committee provides information about the implementation progress made, its monitoring of human rights and environment-related risk management and the related due diligence obligations. The report also covers the latest human rights developments and trends in politics and society. From 2024 (starting with reporting for the financial year 2023), the Telefónica Deutschland Group will additionally report to the Federal Office for Economic Affairs and Export Control (BAFA) on its implementation of the LkSG requirements. It makes the report and other information regarding human rights topics available on the company website .

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[1] Concerns all new suppliers commissioned with work in the past two years

5. Complaints and remedial actions

Even with the measures implemented by the Telefónica Deutschland Group to protect human rights, risks or violations cannot be entirely ruled out. The Telefónica Deutschland Group makes a complaints procedure available to the employees, suppliers, business partners, stakeholders, customers and others who are potentially affected in order that they can bring (potential) wrongdoing to its attention directly. This comprises three reporting channels, which can be contacted in various ways in order to make the procedure as accessible as possible as well as confidential. The external reporting channel is overseen by a lawyer who assumes the role of an ombudsperson; the human rights inbox is managed by the competent internal CR&S directorate, together with the Human Rights Officer. There is then a third confidential channel incorporated into the Telefónica, S.A. supplier website.

The Telefónica Deutschland Group has produced rules of procedure in German, English, Spanish, French and Chinese that describe the various reporting channels and the whole process in detail for (potential) users. The rules of procedure can be found on the Telefónica Deutschland Group website at www.telefonica.de/whistleblowing-procedure ⬀ with a link to a read-aloud function. A simplified version of the process in chart form can also be found there as a way of overcoming further accessibility barriers. Barrier-free access to the ombudsperson is afforded in written form in 21 languages. Suppliers are obliged to also notify their sub-suppliers of the Telefónica Deutschland Group's reporting channels. For more information on the reporting channels, see the "Business conduct" section.

Suppliers are obliged to notify the Telefónica Deutschland Group as soon as possible if there is a violation of an obligation as laid out in the policy within their own business or in the supply chain (including the supply chains of sub-suppliers). The supplier should give its own workers and its sub-suppliers the opportunity to use the Telefónica Deutschland Group's reporting channel. Detailed information regarding the Telefónica Deutschland Group's whistle-blower procedure and contacts can be found on the website and in the rules of procedure at www.telefonica.de/whistleblowing-procedure ⬀. More information on the reporting channels can be found in the "Governance for responsible corporate management" and "Business conduct" sections.

All the enquiries that the Telefónica Deutschland Group receives via the complaints procedure are handled confidentially and are carefully examined (detailed information on this can be found in the "Business conduct" section). Should the Telefónica Deutschland Group learn of human rights violations by means other than the reporting channels mentioned, it will develop and implement remedial actions and suitable concepts to minimise or terminate such shortcomings there too.

Four reports concerning the aspects of unequal treatment, decent pay and noise pollution were submitted via our complaints channels in 2023. Following careful examination by the Human Rights and Environment Committee, no concrete human rights violations could be identified. Preventive measures were nevertheless implemented in some cases, such as anti-discrimination training, in order to actively prevent risks.

In the event that human rights or environment-related violations occur, the Telefónica Deutschland Group has developed a remediation concept in order to immediately implement appropriate and targeted measures. The company makes a distinction here between violations in its own business area and in the supply chain.

In its own business area, the company introduces measures right away to eliminate violations. In the case of violations that occur in the supply chain, the company works with its suppliers and business partners to effect remediation of the violations. The company reserves the right to terminate business relations as a last resort.

Incorporation of stakeholders and those potentially affected

When implementing the due diligence system, the Telefónica Deutschland Group continually sees things from the perspective of those potentially affected and of vulnerable groups. It is important to the company that the perspective and expectations of those affected are taken into account in the assessment of risks and violations, in the development of preventive measures and remedial actions, and in the processing of complaints.

The Telefónica Deutschland Group is involved in multi-stakeholder initiatives such as the UN Global Compact network. Since 2023 it has been participating in the Peer Learning Group for Business and Human Rights in order to engage in cross-industry dialogue with important stakeholders on the implementation of human rights and environment-related due diligence obligations. The Telefónica Deutschland Group has been a member of econsense – Forum for Sustainable Development of German Business e. V. since 2022 and is involved in its Human Rights & Value Chain working group, as well as in the Joint Alliance for CSR (JAC) together with the Telefónica, S.A. Group.

Affected communities

THE KEY FACTS:

✓ At the end of 2023 the Telefónica Deutschland Group was reaching approximately 95 % of the population with the modern 5G mobile communications standard. This is to be increased to 100 % by the end of 2025.

✓ In the area of network expansion, the company coordinates closely with the towns, cities and municipalities in which it intends to install technical facilities and informs the population among other things via the portal informationszentrum-mobilfunk.de.

✓ Smart City Frankfurt: in Frankfurt, the company and its partners are turning street lights into 5G sites that additionally water the surrounding trees.

BASIC PRINCIPLE AND CHALLENGES
Making access to the digital world possible everywhere

The Telefónica Deutschland Group connects millions of people in Germany via an efficient network. Its aim is to connect people living in rural areas just as well as town and city dwellers in order that everyone everywhere can enjoy access to the digital world and its communication opportunities. 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 services. As connectivity makes participation in economic, social and cultural life possible, the Telefónica Deutschland Group categorised the topic of affected communities as material in 2023. The potential negative consequences that could result from insufficient network expansion contribute to this categorisation as well: if network providers fall short of the requirements of Germany's Federal Network Agency (Bundesnetzagentur) regarding mobile network expansion, they risk damage to their reputation and fine proceedings.

The Telefónica Deutschland Group wants 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. The company promotes the development of digital skills and abilities in people both young and old with social programmes. The Telefónica Deutschland Group aims to make the new 5G mobile communications standard available to the mass market and play a part in affording everyone access to high-tech digital communications with 5G tariffs (see also the "Consumers and end-users" section).

Promoting economic and social development
Fair network access creates the basis for exercising certain human rights, such as the right to freedom of expression, thanks to the ability to access information and exchange ideas. The Telefónica Deutschland Group sees an opportunity to offer products and services that promote economic and social

development, e.g. through increased connectivity in rural and isolated areas. In this way, the company wishes to fulfil its purpose: "We are democratizing access to a sustainable, digital future to create a better everyday for all."

Like other companies in the industry, the Telefónica Deutschland Group receives requests for information from government authorities, law enforcement authorities or courts. For example, information is requested about the communications of customers or requests are made for access to certain websites to be blocked. In such cases, the Telefónica Deutschland Group adheres to internal procedures that guarantee compliance with the law as applicable while simultaneously protecting the data subjects' fundamental rights. The Group-wide commitment to the protection of privacy and the right to freedom of expression and freedom of information are laid out in the consolidated Transparency Report ↗ of the parent company Telefónica, S.A., in which the Telefónica Deutschland Group is also represented.

Providing information about mobile communications and network expansion
The Telefónica Deutschland Group wishes on the one hand to communicate the diverse opportunities for society and consumers offered by modern network standards while on the other simultaneously and appropriately taking into account the fact that people have a great many questions regarding mobile communications and health. Some of them assume that electromagnetic fields from mobile network stations and devices are harmful to health and cause cancer, for example. Protecting the health of customers, people living near operations and technicians is a top priority for the Telefónica Deutschland Group. This includes ensuring the mobile network base stations comply with the limits, which are checked by the Bundesnetzagentur. Moreover, the Telefónica Deutschland Group makes certain the mobile phones it sells comply with electromagnetic limits. According to the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), 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.

There is a large number of scientific studies on the impact of electromagnetic fields in the frequency range used for mobile communications. According to the BMUV ⬀, 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)). Germany's Federal Office for Radiation Protection (BfS) continuously reviews the protection effect of the limits and looks into indications of effects relevant to health below these limits with further research. One of the research focuses is new technological developments, including 5G.

The assessments and recommendations of the International Commission on Non-Ionizing Radiation Protection (ICNIRP, 2020), the German Commission on Radiological Protection (SSK, 2021) and the EU's Scientific Committee on Health, Environmental and Emerging Risks (SCHEER, 2022) have confirmed the protection concept applicable in Germany. The corresponding ICNIRP guidelines, which were updated following extensive research and dialogue processes, also apply to use of the 5G standard. The Telefónica Deutschland Group always meets the requirements of the protection concept applicable in Germany.

The Telefónica Deutschland Group therefore makes extensive information available on this topic, primarily via the information portal informationszentrum-mobilfunk.de ⬀. Anyone interested can also find information or seek advice via the Telefónica Deutschland Group's own channels. The company 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. This voluntary commitment was extensively renewed in 2023.

However, neither the company nor the mobile communications industry can comprehensively inform the population on its own as the topic also touches on issues of independence and objectivity. The Telefónica Deutschland Group therefore in particular welcomes the German government's creation of the Competence Centre for Electromagnetic Fields within the BfS.

The "Germany talks about 5G" communication measure and the Federal Gigabit Bureau likewise promote objective debate regarding the topic of mobile communications and health.

Challenges in the year under review
As the Telefónica Deutschland Group increasingly incorporates new sites in the course of its network expansion, the need for advice in rural municipalities grows as many of these municipalities have no previous experience of mobile network systems and the related participation and approval procedures. The approval processes involving the municipalities and the regulatory authorities are highly complex. In addition, it is becoming increasingly difficult to find available plots of land. Here, a political trade-off also presents the Telefónica Deutschland Group with challenges. On the one hand, it is required to incorporate new sites which are as widely accepted by the public as possible. On the other, the coverage requirements of the policymakers mean there are strict time frames for network expansion. An increasing number of mast construction projects achieved planning permission status in the second half of the reporting year. Although the related approval discussions were often concluded two to three years ago, the imminent start of construction is resulting in various municipalities requiring information once again.

In the reporting year, the Telefónica Deutschland Group advocated the Bundesnetzagentur seeking to extend the frequency usage rights that expire in 2025, instead of auctioning them off. The network operators' limited investment funds should be spent on network expansion and on improving the population's mobile communication coverage. More information on the Telefónica Deutschland Group's position can be found on the BASECAMP platform ⬀.

PROCESSES AND MANAGEMENT
Identifying and remedying network faults

The Telefónica Deutschland Group's network quality and coverage are the responsibility of the Chief Technology & Information Officer (CTIO). A specialised Network department is responsible for monitoring the mobile communications and fixed line network and resolving problems. By monitoring the network elements comprehensively, continually investing in the network infrastructure and gradually automating, the company aims to ensure that the negative impacts of network infrastructure impairments are kept to a minimum and that high-quality network operation can be reinstated quickly (more on this in the "Consumers and end-users" section).

Strict adherence to statutory requirements and limits

The Telefónica Deutschland Group monitors adherence to statutory requirements and limits when its 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, the company has implemented rules of procedure and has its own teams that continuously perform internal audits at the mobile network sites maintained by Telefónica Deutschland Group technicians and by 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, the Telefónica Deutschland Group's 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.

Consumer information on health protection

A mobile device's radio waves are partly absorbed by the body tissue and converted into heat. The amount of energy absorbed by the body in the process is referred to as the specific absorption rate (SAR) ↗. Since 1998 the International Commission on Non-Ionizing Radiation Protection (ICNIRP) has been recommending a maximum SAR value of 2 watts per kilogram for the use of mobile phones when held next to the head.[1] The German Commission on Radiological Protection (SSK) and the European Commission have endorsed these recommendations. The manufacturers determine the SAR values in accordance with the European standards EN 62209-1 and EN 62209-2. The SAR values of mobile phones are generally substantially below the corresponding upper limit in actual use, as their transmissions are automatically regulated and reduced when necessary. Consumers can visit the Telefónica Deutschland Group's shops or the company website to find out the precise SAR value of their mobile phone as well as generally find information on the subject of safeguarding health. In the future, the company will reference the data portal of the Federal Office for Radiation Protection (BfS) regarding the topic of SAR values.

STRATEGIC PRIORITIES
Reducing black and grey spots

The Telefónica Deutschland Group's mobile communications network connects millions of people. For the past four years, the network has been given a rating of "very good"[2] in the network test ↗ conducted by the special-interest magazine *connect* on the basis of its high quality. The Telefónica Deutschland Group was already reaching approximately 95 % of the population with the modern 5G mobile communications standard by the end of 2023. It wants to provide the whole of the German population with 5G by the end of 2025. To do so, it is continuously switching

4G frequencies to 5G. In addition, at least 50 Mbit/s are to be made available from at least one of the network operators on all state and federal roads as well as all rail lines (with the exception of tunnels) by the end of 2024.

At the same time as expanding 5G, the Telefónica Deutschland Group is systematically improving its 4G/LTE network. A 4G network that continues to grow is important because approximately 90 % of all mobile data flows via this network infrastructure and 4G will remain the backbone of the mobile communications network in the years to come. The Telefónica Deutschland Group's 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 until now, the Telefónica Deutschland Group is continuously replacing old sites with new platform sites with far greater capacity, based on demand. It expanded some 3,000 sites in this way in 2023 to offer faster Internet, especially in rural regions.

The Telefónica Deutschland Group supplies around 99.6 % of households with broadband mobile services by the end of 2023. The company therefore complies with the nationwide requirement stipulated by the Federal Network Agency (Bundesnetzagentur) of 98 % household coverage with a download speed of 100 Mbit/s in every federal state. The Bundesnetzagentur confirmed the reported results in the year under review. Further information on the regulatory requirements can be found in the Combined Management Report 2023 in the "Economic Report of the Group" ↗ section. The Telefónica Deutschland Group is also focusing on expanding coverage along important transport infrastructures such as motorways, federal highways and railway lines. It is gradually closing the remaining coverage gaps so travellers also ideally benefit from a fast network everywhere too.

The fast network expansion is noticeable due to significantly improved network quality and therefore also a sharp increase in 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. In 2023 as a whole, the Telefónica Deutschland Group network transported 4.75 billion gigabytes of data volume in Germany's mobile communications networks. Data usage within the Telefónica Deutschland Group network therefore increased by 36 % year-on-year.

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[1] Source: https://www.bfs.de/EN/topics/emf/mobile-communication/protection/sar-mobil/sar-mobile-phone.html
[2] Source: connect-mobile and 5G network test, issue 01/2024: Overall rating "very good" (895 points) for O₂; overall, two "very good" (926 and 895 points) and one "outstanding" (967 points) were awarded.

Close dialogue with local authorities and policymakers

The local authorities are above all important partners when telecommunications infrastructure is being set up or expanded. For example, the Telefónica Deutschland Group coordinates network expansion closely with the towns, cities and municipalities in which it intends to install technical facilities. As a result, it is meeting the requirements of the voluntary commitment 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. These agreements offer the local authorities a broad array of effective dialogue and participation measures. Their importance was emphasised in the reporting year with the mobile communications industry's renewed voluntary commitment vis-à-vis the German government. The mobile communications companies consequently disclose their network planning and make this available to the local authorities. In addition, there is regular dialogue on the status of expansion and planning at the regional and local level.

The Telefónica Deutschland Group again contributed its expertise at various information events held locally in 2023. Once again in the year under review, the Baden-Württemberg Ministry of the Interior, Digitalisation and Local Government and the Federal Gigabit Bureau jointly held a series of information events in Aalen and Furtwangen, which the Telefónica Deutschland Group supported in the form of staffing with contacts as well as, in individual cases, with speakers. In North Rhine-Westphalia, the company participated in the federal state's Task Force Mobilfunk NRW to specifically advance mobile communications expansion in the state and improve the processes.[1] In Bavaria, the company had a leading part to play in successful negotiations concerning a model agreement with the local municipal associations designed to shorten the negotiation stage relating to mobile network site agreements.

Together with the mobile operators Telekom Deutschland, Vodafone and 1&1, the Telefónica Deutschland Group runs 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. Informationszentrum Mobilfunk relaunched its website in the year under review. The topics are now presented more clearly and with the aid of the latest web standards.[2] The Telefónica Deutschland Group made a commitment to the German government in the reporting year to further develop this information portal, which now has wide recognition.

Consumers and end-users

THE KEY FACTS:

✓ There is a high level of satisfaction with O₂'s customer service: with a rating of 1.9, O₂ was ranked second in the category of "Customer service" in the 2023 *connect* customer barometer.

✓ The O₂ brand's AI assistance function Aura now greets customers in the O₂ website chat, in the WhatsApp service channel and on the hotline. It resolves many customer issues autonomously such as topping up credit and checking for network faults.

✓ For the fourth consecutive year, O₂ was rated "very good" in the *connect* network test 2023.

BASIC PRINCIPLE AND CHALLENGES
The focus is on the customer

Advancing digitalisation is changing all areas of our lives. The spheres of politics and business consider it their responsibility to shape this development advantageously for people. One core promise is that digitalisation will promote growth, general prosperity, social justice and sustainability. As a provider of telecommunications, the Telefónica Deutschland Group is at the heart of this development technologically and with the service it provides to its customers. It aspires to enabling everyone to participate in digital life in order that they can sustainably shape their futures.

The Telefónica Deutschland Group remains in a market environment which is dynamic yet rational and was able to record strong customer development in 2023. In this environment characterised by momentous technical change, the company faces the challenge of meeting technical and regulatory requirements, anticipating the customers' wishes as best it can and offering them guidance and assistance in an increasingly complex product world. It aspires to seeing the world through the eyes of its customers and offering them an excellent service experience that suits their habits and individual needs at all times.

In its 2023 materiality analysis, the Telefónica Deutschland Group defined the topic of consumers and end-users as material. A key issue here is that the Telefónica Deutschland Group advances digitalisation within society and makes broad and straightforward participation in digital life possible for people, including by teaching digital skills. On the other hand, a high level of customer satisfaction is one of the key success factors when it comes to the Telefónica Deutschland Group's core business and is something it continuously seeks to strengthen with its array of services.

As part of the critical infrastructure, the company makes a crucial contribution to the functioning of the economy and society: a network outage would result in revenue losses for business customers, cripple communication between public authorities and vastly restrict the customers' lives. The emergency call system is likewise dependent on functioning telecommunications. Network outages harbour financial risks for the Telefónica Deutschland Group and can have a negative impact on the company's reputation due, for example, to consumer legal claims.

Network quality and coverage additionally have a direct influence on customer satisfaction. Other key factors when it comes to customer satisfaction include sales and service quality, value-for-money innovative products and tariffs, transparent product labelling and a strong brand. The Telefónica Deutschland Group considers dealing with customers fairly and with respect to be self-evident. As well as the personal contact channels, the customers have a large number of self-service offerings at their disposal, meaning they are free to choose their preferred channel. The company wishes to further improve the online customer experience by continuing to expand its attractive and simple self-service offerings.

In this regard, offering the customers transparency at all times regarding how their data is used and allowing them to determine themselves how it is used are top priorities for the Telefónica Deutschland Group. It also sees it as its responsibility to protect people's health in relation to the use of mobile communications technology and to ensure there is responsible youth media protection.

Making the network more efficient and more sustainable
The network provides the foundation for the Telefónica Deutschland Group's business. The Group aims to continuously make the network more efficient and more sustainable in order

to be able to reliably and responsibly transport data volumes, which are rapidly increasing due to digitalisation. The company celebrated its network's 25th anniversary in 2023. The Telefónica Deutschland Group's predecessor VIAG Interkom launched network operations in eight conurbations in 1998. The network subsequently evolved to become one of the most important mobile information superhighways for consumers. The Telefónica Deutschland Group has invested in developing and expanding the German network in recent years. Several individual network expansion measures have been realised in the past three years alone, including new 5G transmitters, additional network capacities and new sites to plug telecommunication dead spots (more on the plugging of telecommunication dead spots in the "Affected communities" section).

Fast expansion of the 5G network is helping to achieve the goal set in the Responsible Business Plan (RBP) of offering the customers a green mobile communications network in Germany by 2025. The Telefónica Deutschland Group has now been using 100% green electricity[1] for its network since 2016. 5G standalone technology (5G SA) transmits significantly more energy-efficiently than the preceding standard 4G, meaning electricity consumption per transmitted byte can be reduced by up to 90%.[2] 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 can help for example to increase road traffic safety or make household energy supply more efficient.

The Telefónica Deutschland Group is developing a network which will serve companies and users as the basis for realising digital business models and applications, for instance to bring flexibility into their production and logistics workflows. In particular in the case of applications in the area of Industry 4.0, 5G technology results in faster logistics and reduces production process energy consumption thanks to real-time data transmission. The Telefónica Deutschland Group's 5G network helps companies in many industries reduce their carbon emissions and develop sustainable business models.

Network expansion including the development of new sites for 4G and 5G leads to concerns about health risks caused by radio waves among a small number of people, with these concerns being articulated among the public and in the media. The Telefónica Deutschland Group takes the need for information which this is an expression of very seriously and continues to work on providing the population with information in the best way possible. Compliance with the statutory requirements and limits is monitored and regularly audited by the relevant authorities (more on the topic of mobile communications and health in the "Affected communities" section).

The delivery situation and the situation in the energy and steel markets eased slightly in the year under review, but costs nevertheless remain above those seen in pre-Covid-19 times and therefore remain a challenge. Once again in 2023 the company was able to manage the shortages together with its partners.

PROCESSES AND MANAGEMENT
Transparently assessing and boosting customer satisfaction

The Telefónica Deutschland Group aims to understand and anticipate its customers' needs and opinions. The company wishes to measure their level of satisfaction with its products and services as accurately as possible and continuously improve on this. 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 and medium-sized 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 access in the discount segment, and brands such as AY YILDIZ, Ortel Mobile and Lebara do the same in the segment targeting ethnic groups. The business customer strategy focuses on growth in the core areas of mobile communications and the fixed line network as well as on further expansion of digital services relating to 5G, the Internet of Things (IoT), the cloud and security. The objective is accelerated growth in the area of business customers.

In the area of customer relations, the Telefónica Deutschland Group uses the Net Promoter Score (NPS) and the churn rate as performance indicators and key control parameters. The NPS provides insight into the customers' willingness to recommend products or services. It therefore reflects the overall satisfaction of the customers with the brands as well as with their products and services. The Telefónica Deutschland Group ascertains the NPS at two levels: top-down and bottom-up. The top-down NPS is determined with the aid of an externally conducted telephone

survey of the company's private customers for the brands O_2, Blau, Tchibo MOBIL and ALDI TALK as well as for competitors several times a year. It applies industry-wide standards and therefore allows for comparison with the competition. Market research is the responsibility of the Director of the Digital & Data Competence Center (DDC) within the Finance division. The Telefónica Deutschland Group uses the bottom-up NPS to assess customer satisfaction with the O_2 brand at all the contact points along the entire customer journey. It uses this direct feedback to derive concrete measures to further improve the customer experience and also to determine whether previously implemented improvement measures meet the customers' requirements and are having an effect.

The Telefónica Deutschland Group registered a stable development in the NPS in 2023. As expected, in the financial year 2023 the postpaid customer churn rate returned to almost the low level it had been at prior to the implementation of the European Electronic Communications Code (EECC) directive in the German Telecommunications Act (TKG) as of 1 December 2021. The churn rate for the O_2 brand in financial year 2023 was 1.0 % (–0.12 percentage points year-on-year), while the implied annualised churn rate for the O_2 brand was 11.6 %, 1.4 percentage points below the previous year (2022: 13.1 %), reflecting in particular sustainable quality and service improvements as well as our focus on customer loyalty.

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Customer loyalty: churn rate of the O_2 brand

	Unit	2023	2022	2021
O_2 consumer postpaid	%	**1.0**	1.1	0.9

Clear customer service guidelines

The Telefónica Deutschland Group has clear customer service guidelines that give the employees guidance in their customer contact and service. These guidelines were revised in 2022 to provide the employees with new input and further develop the excellent customer service. The focus of these six guidelines is the customers. The Telefónica Deutschland Group wishes to accompany and enhance their digital lives. The guidelines are practised via the following measures: targeted initial training for all new employees, dialogue guidelines for customer contact, a quality handbook, ongoing support via a standardised coaching process that includes the Internal Audit Score (IAS), quality assurance programmes and ongoing training measures, for example regarding complaints management and how to communicate in a customer contact situation. A young talent promotion scheme helps to further develop potential customer service executives.

The roles of the various contact channels are continuously reviewed, and targets and measures to boost customer satisfaction are derived. The Telefónica Deutschland Group

intends to continue to ensure that its customers can reach the company 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. The feedback received from customers and employees is used in a continuous improvement process to optimise procedures and therefore the customer experience as well. With the customers' consent, the Telefónica Deutschland Group uses, 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. The speech analysis is anonymised in order to comply with data privacy requirements. 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 chosen topics are respectively assigned to a person responsible and the progress made with them is tracked via regular documentation.

Specially created, trained callback teams call the customers regarding their feedback if they request this. As well as resolving problems quickly, the focus is in particular on gaining a better understanding of the customers' needs and wishes. The Telefónica Deutschland Group offers a dedicated callback service online and via its app to prevent lengthy hotline waiting times. The complaints process is governed by a standard operating procedure.

The Telefónica Deutschland Group has set itself ambitious targets in the area of customer satisfaction: it aims to offer excellent customer service with a high level of customer satisfaction. It evaluates the status of its 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. The Telefónica Deutschland Group is also continuously improving and expanding its digital offerings in order to provide the customers with uncomplicated customer service around the clock and independent of location. The Telefónica Deutschland Group achieved its goal of continuously increasing the proportion of contacts with O_2 and Blau that occur digitally in the self-service area. At the end of 2023 83 %[1] of service contacts were managed via the self-service area (2022: 81 %). The target is continue to keep the proportion at a stable high level and achieve at least 82 % here at the end of 2024.

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

Identifying and remedying network faults quickly

The Telefónica Deutschland Group's private and business customers trust in the reliability of the company and its services. They expect network failures to be rectified quickly. By monitoring the network elements comprehensively and continually investing in the network structure, the company aims to ensure that the negative impacts on its 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 its network elements, the Telefónica Deutschland Group aims to continuously raise the level of automation. It uses a variety of tools to generate comprehensive data by which to analyse and evaluate the quality of the network. This allows service restrictions or increased capacity demand at a mobile network site to be recognised sooner and action to be taken accordingly.

STRATEGIC PRIORITIES
Deriving concrete service features from customer feedback

The Telefónica Deutschland Group also uses the bottom-up NPS to assess the customers' satisfaction with customer service. Concrete measures for optimising the customer experience can be derived from customer feedback. The measures implemented in the reporting year to further improve customer service and satisfaction included:

- Improved process and more transparent information for the customers regarding network malfunctions and their rectification
- Introduction of an English-language hotline for technical matters
- Establishment of best-practice exchange among the sites to improve the customer service problem resolution quota

There is a high level of satisfaction with O₂'s customer service, as illustrated by the *connect* 2023 customer barometer ↗. With a rating of 1.9, O₂ is ranked second in the category of "Customer service". In the *connect* hotline service test ↗, it was awarded a rating of "very good" in 2023 on the grounds that the hotline considers individual user behaviour in relation to tariff matters and recommends an appropriate offering without any sales pressure (more information on recognition of the Telefónica Deutschland Group's customer service on its website ↗).[1]

For the customers of its ethnic brands Ortel Mobile and AY YILDIZ – primarily people with a migrant background or tourists – the Telefónica Deutschland Group continues to expand the digital access channels and is making simplified payment methods available which can be accessed at any time and are digital. Ortel Mobile and AY YILDIZ customers already have the option of topping up their phones by means of instant transfer, credit card and PayPal. Payment via app has additionally been possible since the reporting year. The Telefónica Deutschland Group achieved its target of increasing prepaid top-ups using these solutions by at least 20% in the year under review. It will seek to increase this by a further 20% in 2024. Specialist retailers and the operators of partner shops within the mobile communications industry favour Ortel (first place) and AY YILDIZ (second place) when it comes to ethnic mobile operators. This was the conclusion of the readers of the specialist sales magazine *Telecom Handel* in 2023.

The Telefónica Deutschland Group successfully established the O₂ Switch migration service in 2023 to make it easier for business customers to switch to O₂ from their existing service provider. This provides business customers with personal contacts, thus affording them a tailored service. With this service, the contract data pool is automatically updated and digitalised. This occurs across all sites, digitally and centrally. The personal contacts take the business customers through the migration process right through to being handed over to their dedicated customer support. The Telefónica Deutschland Group continues to expand its portfolio of services for business customers.

Promoting digital services

When planning measures to implement, the Telefónica Deutschland Group's focus is on improving the customer experience. That is why, in addition to optimising the quality of its customer service, it is also aiming to improve contact possibilities by pushing ahead with digital solutions based on a digital action plan. Among other things, the O₂ form download page was overhauled in the reporting year. The customers now find an explanation of and helpful information about every form. In addition, they are always offered the right digital self-care solution there and then. The reasoning behind this is that the Telefónica Deutschland Group wishes to inspire its customers to make self-determined use of digital technologies with its products and bases its communication measures on this. The Mein O₂ service portal allows for swift and intuitive access to self-service solutions. The company analyses user behaviour, evaluates customer feedback and optimises the content in order to continuously improve the service portal.

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[1] Source: Mobilfunk-Hotlines im Test 2023: Wo stimmt die Beratung? | connect

Artificial intelligence (AI) and dynamic execution on the basis of natural language understanding (NLU) make information access easier and reduce the number of click steps. The O₂ brand's AI assistance function Aura now greets customers in the O₂ website chat, in the WhatsApp service channel and on the hotline. The Telefónica Deutschland Group therefore offers a consistent user experience across all the contact channels. The assistance function uses personalised data to autonomously resolve customers' issues or involve an employee to resolve them. The current fields of application include network fault checks, viewing invoice payment statuses and tariffs, enquiring about data volumes, topping up credit in the prepaid area and making use of multimedia services.

Needs-based products and services for private customers

Sustainable growth and excellent customer satisfaction are high priorities for the Telefónica Deutschland Group. To achieve these, it offers, among other things, innovative tariffs that are designed to make the customers' lives simpler, faster and better. On the basis of tailored needs analysis, the customers should only be offered the products and services they actually need. If existing customers who are in at least the O₂ Mobile M tariff extend their contract, they receive a mobile phone on the basis of conditions that are equally as good as those offered to new customers. With the Mein O₂ app, customers can view relevant information such as data volumes or contractual conditions and purchase additional products if needed. In a test conducted by the special-interest magazine *connect* in 2023, the Mein O₂ app was awarded a rating of "outstanding".

The Internet@Home area features O₂ Home as a uniform tariff which applies equally to DSL, cable, fibre optics and the mobile-communications-based O₂ HomeSpot. Customers can choose the best solution for where they live, regardless of the Internet technology available there. As the Telefónica Deutschland Group expanded its cooperation with Vodafone and Tele Columbus in 2022, it can now offer more than 22 million cable households in Germany an O₂ Home tariff with 1 Gbit/s.

The Telefónica Deutschland Group makes it possible for its customers to watch live TV in HD quality. By bundling the product O₂ TV with streaming services such as Netflix and WOW, it was able to expand the customers' TV experience with additional digital options. Its entertainment offering is rounded off by a gaming offering that affords customers access to an array of online platforms, including the Microsoft cloud gaming product. In addition to the entertainment-related offerings, O₂ Cloud and the updated O₂ Protect portfolio round off the variety of services for the customers' digital lives.

Many major providers of digital services now accept payment via mobile phone bill. Once again in 2023, the Telefónica Deutschland Group offered payment via mobile phone bill in certain non-digital content scenarios such as bike sharing via nextbike. With these options, too, security comes first. 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 meet the highest possible consumer protection standards at all times.

Via what is known as the Telefónica Deutschland Group's 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. A service provided as part of the Smart Digits portfolio offers additional security, enabling partners to compare the telephone number supplied by a customer with the actual telephone number of the mobile device. The company introduced another fraud prevention interface, KYC (know your customer) match, in 2023.

Innovative solutions for business customers

In the B2B area, business customers can choose from a variety of tariff solutions that are secure, fair and reliable. The Telefónica Deutschland Group offers 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. Since 2022 business customers have been able to hire rather than buy devices via O₂ Business Flex Device. This affords them additional financial leeway and allows them to always provide their employees with the latest devices.

Telefónica, S.A. has introduced the Eco Smart certification mark to highlight products and services that make a significant contribution to reducing energy, CO_2 and water consumption and to promoting the circular economy. German business customers can use this certification mark to take sustainability criteria into account in their purchasing decisions as well – currently, 63 %[1] of the Telefónica Deutschland Group's business customer products bear this label. The awarding of this certification mark is monitored by the certification company AENOR (more on this topic in the "Circular economy" section).

In the year under review, the focus continued to be on the expansion of digital services for business customers in the areas of the IoT and cloud-based networks – with the aim of accelerating growth in this customer segment. The Telefónica Deutschland Group once again saw high demand in the area of the IoT in 2023 and is expecting further growth in this business field.

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[1] Products with Eco Smart certification is the proportion of products with Eco Smart certification awarded by AENOR divided by B2B Global IoT and Big Data (product and solution portfolio).

5G is significantly expanding the scope of intelligent networking via the IoT once again. This is what is known as "massive IoT", in other words the networking of millions of devices. Through its network, the Telefónica Deutschland Group is already supporting a large number of companies in the digitalisation of their business solutions in the IoT area as well as in achieving their sustainability targets. 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. Since 2023 this night identification may only be illuminated when an aeroplane or helicopter gets closer than four kilometres. With its IoT solution, the Telefónica Deutschland Group is reducing signal lighting on wind turbines by 98 %. Its aim here is not only to contribute to minimising the negative impacts of permanent illumination on animals, but also to boost the acceptance of this sustainable form of energy generation in particular among the local residents.

With its high reliability and short response times, 5G will be an important support for highly sensitive, automated production processes such as robotics and should serve industry as a tremendous efficiency lever. 5G makes a digital factory and fully connected (intra-)logistics processes possible (smart factories). Commodities and goods can then be tracked without interruption and supply chains can be digitally documented. The Telefónica Deutschland Group helps companies turn their production facilities into smart factories and advance their digitalisation. The Telefónica Deutschland Group likewise applies the experience it has in planning and installing mobile communications networks to setting up 5G campus networks too. In a network of this kind, digital services can be securely interconnected according to a company's or an application's individual requirements. The Telefónica Deutschland Group has set up 5G campus networks of this kind among other things for Mercedes-Benz Cars at its Factory 56, at a hospital site in Leipzig for the health care company Helios and for the Prinzhorn Group, an Austrian paper and packaging manufacturer. The company agreed to a long-term collaboration with the Technical University of Munich in the previous year, with the Chair of Materials Handling, Material Flow, Logistics. Among other things, the chair scientists are researching driverless autonomous robots, which can now be deployed far more flexibly thanks to their low response times in the 5G network set up by the Telefónica Deutschland Group.

Customers can use the two network standards NB-IoT (narrowband IoT) and LTE-M (long-term evolution for machines) for automatic data transmission between objects and machines. These LTE subtechnologies, which operate on the same frequency, boast a high range and 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, including frequently in purely battery-operated IoT devices. 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 – for example, for metering applications and in building automation. The Telefónica Deutschland Group has responded to the increased market requirements with a high-volume IoT portfolio in order to be able to serve high-volume applications, for example in the area of construction site surveillance. The KITE platform gives customers an overview of and control over the connectivity of their machines, systems and devices, which are often located all over the world. Among other things, the smart SIM card management system produces reports on consumption data, costs and usage behaviour at the device level.

In the area of smart mobility, 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 can also benefit from the ability to digitalise their vehicle fleets and individual vehicles. With smart mobility, the Telefónica Deutschland Group offers its business customers analysis applications that enable them to improve driver safety, reduce fuel consumption and lower servicing costs. Telematics solutions such as Geotab enable smart fleet management from a single source. The telematics devices already feature IoT SIM cards provided by the Telefónica Deutschland Group ex-works. With a plug-and-play solution, vehicles are made smart in a matter of minutes and can log vehicle and engine data. The Telefónica Deutschland Group makes interactive solutions for smart mobility, smart production and a smart city tangible for its partners, customers and employees in an innovation experience area in the O$_2$ Tower.

O$_2$ Business offers SMEs and key accounts comprehensive cybersecurity solutions. In its online magazine for business customers ⬈, the company regularly covers the dangers of, for example, ransomware and phishing, and explains how companies can protect themselves. With O$_2$ Business IT Protect, the Telefónica Deutschland Group offers business customers a security solution which is tailored to the requirements of the business in question.

To strengthen the business customer line of business, the Telefónica Deutschland Group collaborates closely with Telefónica Tech in the areas of cybersecurity, the IoT, the cloud, big data and AI. The technology provider is a member of the international Telefónica, S.A. Group and a leader in the field of digital transformation – meaning the Telefónica Deutschland Group and its business customers can rely on expert partners around the world.

Expanding 5G network coverage

The Telefónica Deutschland Group's network expansion initiative in recent years has enabled the public to use fast mobile 4G/LTE data services via the network. The Telefónica Deutschland Group further expanded its 5G network coverage in 2023: at the end of 2023 the Telefónica Deutschland Group was already providing approximately 95% of the population with 5G. It intends to increase this to the whole of Germany by the end of 2025. In the reporting year, places where the company expanded the 5G network included popular German holiday regions, such as the North Sea and Baltic Sea coasts, the Bavarian lakes, the Allgäu and the Alps. For the fourth consecutive year, the Telefónica Deutschland Group's network was rated "very good" in the network test[1] ⬀ conducted in 2023 by the special-interest magazine *connect*.

Expansion of the new mobile communications technology is focused on what is known as "pure 5G", which is transmitted via the most powerful 3.6 GHz frequency. Just under 10,000 3.6 GHz antennas had been put into operation by the end of 2023. It is also using the 700 MHz frequency, which has a large reach, to develop rural areas more quickly. Use is additionally being made of dynamic spectrum sharing (DSS) technology, which enables 5G and LTE frequencies to be used in tandem. The customers benefit from significantly higher data rates and reduced data usage time lags.

In the reporting year 2023 the Telefónica Deutschland Group was able to make additional network capacities available at major events including the Oktoberfest and other large festivals or in the event of weather-related emergencies with 80 mobile network stations. The mobile 5G masts can also be used to bridge the gap if a region requires coverage until the completion of a new site.

At the same time as expanding 5G, the Telefónica Deutschland Group is further improving its 4G/LTE network – the backbone of the mobile communications network – and is focusing here in particular on regions of Germany which have previously been undersupplied (more on this in the "Affected communities" section).

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5G coverage

	Unit	2023	2022	2021
Coverage of the total German population with 5G[1]	Rounded in %	95	80	30

[1] 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 (Bundesnetzagentur). It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and 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. This value is the year-end value for 2023, which indicates the availability of the mobile service outside buildings.

Partnerships for a high-performance network

The Telefónica Deutschland Group offers its customers extensive fixed line network coverage in Germany on the basis of future-proof broadband cooperation models and offers them a high-performance infrastructure mix of cable, fibre optics, 4G/5G and DSL. It is working here with a number of telecommunications service providers and network operators including Vodafone, Tele Columbus and Deutsche Telekom, and is connected to vitroconnect's open-access platform, the leading network-independent platform in Germany. In addition to Tele Columbus's broadband cable network, O₂ customers have also been able to use surf speeds of up to 1 Gbit/s since April 2022 with connections realised via the Vodafone access network thanks to an expanded cooperation with Vodafone. Through its cooperation with Deutsche Telekom, the Telefónica Deutschland Group has also been able to market real fibre-optic connections with speeds of up to 1 Gbit/s since late November 2022. It also offers O₂ Home products with gigabit speed via fibre optics provided for the O₂ brand by the company Unsere Grüne Glasfaser (UGG). UGG is a joint venture between the Telefónica, S.A. Group and Allianz SE. The Telefónica Deutschland Group holds a 10% stake in the company.

[1] Source: connect-mobile and 5G network test, issue 01/2024: Overall rating "very good" (895 points) for O₂: overall, two "very good" (926 and 895 points) and one "outstanding" (967 points) were awarded.

Governance aspects

Business conduct

THE KEY FACTS:

✓ The Telefónica Deutschland Group condemns all forms of corruption and reinforces this with a clear zero-tolerance commitment.

✓ A digital tool takes the employees through the guideline rules regarding gifts and invitations in the form of questions and answers.

✓ The Telefónica Deutschland Group has further expanded its whistle-blower channels for the safe and confidential reporting of violations of the law and rules.

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. This can also lead to a loss of faith in the market economy. For the Telefónica Deutschland Group, compliance with the law is not only an indispensable basic prerequisite of its conduct. It also allows risks to be reduced and its business foundations to be preserved – something which would be seriously jeopardised if there is a failure to observe regulations and rules. In view of these factors and due to its overarching relevance, the topic of corruption and bribery was identified as material for the company.

The Telefónica Deutschland Group is a company which customers, employees, suppliers, shareholders and society can trust. For relations founded on trust to be built up with all the stakeholders, all Telefónica employees must act with integrity, transparently and reliably at all times. Only then can they contribute to the company's good reputation, which in turn safeguards long-term business relations and financing opportunities. The Telefónica Deutschland Group has been offering whistle-blower channels for a number of years that guarantee the employees confidentiality when they report wrongdoing. Before Germany's new Whistleblower Protection Act (HinSchG) entered into force in mid-2023, the Telefónica Deutschland Group brought its whistle-blower policy into line with the act's requirements and further developed its whistle-blower channels (more on this in the "Strategic priorities" section).

Observing statutory requirements, international standards and internal guidelines is a matter of course for the Telefónica Deutschland Group. The Telefónica Deutschland Group's Business Principles serve as the foundation for its actions. These were drawn up with the utmost care to ensure that they meet the market and societal requirements. The Business Principles 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 the Telefónica Deutschland Group declares its dedicated support for. Regarding the material topic of corruption and bribery, we are guided in particular by the OECD guidelines for multinational companies and the UN Convention against Corruption. The Business Principles are directed at the employees, suppliers, business partners and shareholders and the company as a whole. As a binding code of conduct, the Business Principles set ethical, environmental and social standards for participation in the business world.

Conducting business in accordance with the principles of efficient, sustainable and transparent corporate governance is a fundamental requirement for the Telefónica Deutschland Group. It follows the guidelines of the German Corporate Governance Code (GCGC) for this purpose. The declaration of compliance with the GCGC specifications and the Management Declaration are published in the Annual Report and separately on the company website.

For the Telefónica Deutschland Group, this is about more than merely meeting statutory requirements. The Group aspires to continue to develop and ensure that it acts with integrity in the digital age. Digital transformation brings with it a number of legal challenges, but also offers creative scope, for example regarding the development of e-learning programmes that are just 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 key importance to the Telefónica Deutschland Group. There is a particular focus on the topic of corruption and bribery as 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 corruption and reinforces this with a clear zero-tolerance commitment in its Business Principles. Senior management staff are required to annually reconfirm recognition of this commitment and compliance with the anti-corruption guidelines. If Telefónica Deutschland Holding AG bodies (this includes members of the Management Board) see a potential conflict of interest, they disclose this among others to the Supervisory Board or the Chair of the Supervisory Board.

All employees are given regular instruction on the Business Principles and the topics of corruption and bribery as part of mandatory training. The employees also have the opportunity to improve their knowledge regarding anti-corruption by means of voluntary intensive training. This training was extensively revised in the reporting year to respond to the new rules in the updated policy regarding how to deal with gifts and invitations (more on this in the following section).

Certification of the compliance management system
The Telefónica Deutschland Group's success is founded on its customers' trust. A key objective is therefore to maintain and continuously strengthen this trust. The Telefónica Deutschland Group absolutely wants to avoid financial disadvantages or damage to its reputation resulting from compliance violations. Since 2004 it has therefore had an integrated compliance management system (CMS) aimed at guaranteeing its guidelines are followed. The main emphases of the 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 & 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. In 2021, BDO AG Wirtschaftsprüfungsgesellschaft certified the anti-corruption subsection of the CMS in accordance with the IDW AsS 980 standard. This confirmed that the Telefónica Deutschland Group's CMS features all the elements relevant to the detection of compliance violations and that these are implemented and regularly checked.

The Telefónica Deutschland Group has defined clear guidelines and specifications for the most important compliance aspects that affect daily business. In addition to the Business Principles, they include the corruption prevention and competition law guidelines, the guidelines on gifts and invitations, and the guidelines regarding conflicts of interest. Regulations relating to the procurement of services also apply, such as the procedural instructions for how to conduct business with service providers, as well as general guidelines such as the Human Rights Policy.

The company reviewed and comprehensively modified the guidelines regarding gifts and invitations in late 2022. Among other things, a general cap on the value of donations was set.

Consistently providing whistle-blower protection as per the new legal requirements
To guarantee the legally watertight and responsible handling of tip-offs, complaints and anonymous reports from stakeholders and third parties who are potentially affected, the Telefónica Deutschland Group defined a whistle-blower policy in 2021 that further formalised the process which had been practised for many years. The internal policy was revised in 2022 and 2023 in order to integrate the requirements of Germany's new Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and of the Whistleblower Protection Act (HinSchG). The whistle-blower policy explicitly stipulates that whistle-blowers may not suffer any negative consequences, thereby implementing the requirements as per the HinSchG regarding protection from reprisals. This is achieved by means of the far-reaching maintenance of confidentiality and the protection of the reporting person's identity.

For some years now, all employees, external staff, suppliers, shareholders, partners and other stakeholders have had access to a whistle-blower reporting channel (confidential helpline) which is overseen by an external ombudsperson. The ombudsperson receives confidential tip-offs, which can be anonymous if preferred, regarding complaints as per the LkSG, in other words tip-offs concerning human rights and environment-related risks or violations. They also receive tip-offs regarding topics pursuant to Section 2 HinSchG, relating for example to conflicts of interest, corruption and other criminal acts such as fraud and embezzlement as well as violations of competition law – likewise confidentially and, if requested, anonymously. Another reporting point for topics that fall within the remit of the Compliance department is the "Tell us" channel. Tip-offs received here are likewise handled in confidence.

Reporting persons can find the standards according to which a tip-off can be reported to the various reporting points and what sequence follows presented in the rules of procedure. Due to different legal requirements, a distinction is made here between reports in accordance with the LkSG and reports in line with the HinSchG. This enables the Telefónica Deutschland Group to notify reporting persons about and involve them in the procedure, thereby boosting the transparency of and people's faith in the procedure. Those who process the tip-offs are given training in this.

STRATEGIC PRIORITIES
Involving stakeholders in prevention

Keeping the employees closely involved is essential to implementing the compliance measures. The Telefónica Deutschland Group achieves this through targeted communication as well as surveys and training. Business

partners and suppliers are also subject to binding specifications. The company obliges its suppliers and sub-suppliers to comply with the Supply Chain Sustainability Policy, has published the Human Rights Policy with guidelines for the employees and is represented within industry associations. New suppliers must consent to the anti-corruption declaration as part of the registration process.

To permanently sensitise its employees to important compliance issues, the Telefónica Deutschland Group conducts, among other things, 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. Executives at the top management level are also explicitly required to commit to complying with the Business Principles and anti-corruption guidelines and are given training on this. Human rights issues are addressed here too. Senior management employees are required to digitally confirm that they have reviewed the Business Principles annually. We had recorded a year-on-year increase in training by the end of 2023. 95.1 % (previous year: 84.3 %) of all the employees had been given training on the Business Principles in the past three years, equating to a total of 7,068 training hours.[1]

Training participation is managed using the Success Factors Training Tool. 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. The Telefónica Deutschland Group continually reviews its training concept and adapts it to current developments and the actual needs. After the Business Principles were revised, the corresponding training for all employees was likewise adapted in 2022. There is now an even greater focus on environmental, social and governance (ESG) topics so that the Telefónica Deutschland Group can drive the company's sustainable transformation forward together with its employees. Human rights and sustainable supply chain management, climate responsibility, the circular economy and the responsible use of digital technologies are just a few examples of topics included in the revised training. The employees were made aware of the changes via various internal communication channels.

The intensive training on the topic of corruption and bribery was updated in 2023 in line with the revised guidelines for gifts and invitations. This allows the relevant employee groups to be even better sensitised to the topic. 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. Moreover, the learning content goes into greater detail with the help of practical examples. The employees can now also use a digital tool that takes them through the guideline rules in the form of questions and answers.

Furthermore, there is ad hoc communication on topics relevant to corruption, for example emails and information on the intranet. The employees were also notified on the intranet about, for example, the HinSchG and the possibility of reporting violations. If required, the Compliance department offers employees and bodies such as the employee representatives advice on all matters concerning ethical conduct and acting with integrity. The Telefónica Deutschland Group carries out ad hoc and process-accompanying examinations and consultations with regard to potential compliance risks. When necessary, the Internal Audit department and external auditors review the CMS as well as the measures for preventing corruption.

Careful investigation of allegations

The Telefónica Deutschland Group conducts regular and, in particular, project-based risk assessments in the areas of corruption and conflicts of interest for Telefónica Germany GmbH & Co. OHG and all the subsidiaries. All suspected cases of unfair practices such as corruption and the giving and taking of bribes that come to its 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, the company defines cases of corruption as any form of misuse of a professional position to obtain unauthorised tangible or intangible advantages.

The Telefónica Deutschland Group received no reports of suspected cases of corrupt conduct in the reporting year 2023. As such, no labour law sanctions were imposed on any employees in this regard. No confirmed violations of the General Act on Equal Treatment (AGG) were reported to the Organizational Development & People department and the Inclusion Officer in the reporting year, and there were no corresponding court cases. Likewise, no violations of the freedom of association or of collective bargaining came to the Group's attention in the reporting year. The company did not make any financial donations to political parties.

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Anti-corruption and conflicts of interest

	Unit	2023	2022	2021
Total number of cases of corruption[1]	Number	0	0	0

[1] Confirmed suspected cases that led to measures related to labour law or sanctions.

Sustainable investments

THE KEY FACTS:

✓ In future, the Telefónica Deutschland Group's financing is to be linked even closer to sustainability aspects.

✓ Sustainalytics confirms strong management of key ESG issues and the Telefónica Deutschland Group receives the "ESG Industry Top Rated" seal for the second time in a row.

✓ Two large power purchase agreements for the direct procurement of wind power should protect the company from the risk of rising prices in the electricity market.

BASIC PRINCIPLE AND CHALLENGES
Linking financing with sustainability aspects

As a consequence of its comprehensive sustainability strategy, the Telefónica Deutschland Group wishes to further integrate ESG criteria into its corporate financing. Taking ESG criteria into account when selecting financing instruments helps the company to achieve sustainable success in a number of ways: more and more investors are giving preference to investments that not only generate an economic return, but that also have environmental or social value. Government institutions make the awarding of development loans with favourable interest rates contingent upon certain ESG criteria being fulfilled. Regulation is being tightened too and the European Union is obliging companies to report on how and to what extent their activities are environmentally sustainable – likewise with the aim of slowing down climate change (see the Telefónica Deutschland – Disclosures according to Art. 8 Taxonomy Regulation section in the Separate Non-Financial Group Report).

The Telefónica Deutschland Group is focusing on having a strong balance sheet with little debt and a comfortable liquidity position to afford the company financial flexibility at times of volatile market conditions too. The company has been garnering experience with financing instruments that are orientated towards sustainability aspects since 2016 (see below). Financing is to be made even more sustainable within the Telefónica Deutschland Group in the future. A framework for this is currently being developed.

The Telefónica Deutschland Group once again reported on its achievements and successes in the area of ESG on an ESG roadshow in the reporting year. CEO Markus Haas and Chair of the Supervisory Board Peter Löscher shared their thoughts on the company's sustainability performance and strategy first and foremost with leading institutional investors.

Good to very good ESG rating assessments

To steer its ESG performance, the Telefónica Deutschland Group regularly takes part in relevant ESG ratings and takes the corresponding criteria into account in the optimisation of its sustainability performance and in the related reporting. It sees this as offering huge potential for boosting its responsible conduct and the company's resilience as well as for achieving sustainable corporate financing. Systematic orientation towards ESG criteria is an important prerequisite for access to the capital market. It is therefore all the more important that it makes its contribution to sustainable business practice transparent and that it makes meaningful non-financial information available for investment decisions.

The Telefónica Deutschland Group improved or has remained stable again in key ratings such as Sustainalytics, Morgan Stanley Capital International (MSCI), ISS ESG and S&P Global in the year under review and achieved good to very good assessments. In the Sustainalytics rating, the company achieved the best ESG risk score of all the telecommunications companies in Germany and was also awarded the ESG Industry Top-Rated Badge for the second consecutive year. Globally, the Telefónica Deutschland Group was ranked first out of 233 companies in this category, with a score of 10.6.

Positive experiences with financing based on sustainability aspects

In 2019 the Telefónica Deutschland Group was one of the first companies to take out a sustainability-linked loan. With this syndicated loan, the interest margin is tied to the development of a sustainability rating created by Sustainalytics every year, which the Telefónica Deutschland Group was able to improve in all of the ESG categories assessed once again in 2023. The sustainability-linked loan in the amount of EUR 750 million runs until 2026. The company has been garnering positive experience with sustainable financing tied to energy efficiency targets since 2016 – loan agreements totalling EUR 900 million for the construction of energy-efficient mobile communications networks have been concluded with the European Investment Bank since then.

Hedging against rising energy prices

Hedging instruments are another important component of corporate financing in relation to which the Telefónica Deutschland Group incorporates ESG criteria if possible. To protect itself from the risk of future price increases in the electricitymarket, the Telefónica Deutschland Group concluded a further power purchase agreement (PPA) with an energy supplier in February 2023. This agreement serves to ensure long-term energy security and the supply of renewable energy from an offshore wind farm over the period from 2025 to 2040. Most of the energy requirements for the 2024 financial year have already been economically secured.

Data protection and information security

THE KEY FACTS:

✓ TÜV NORD has attested high information security standards with certification in accordance with ISO 27001.

✓ Since 2023 an internal website has been informing employees about data protection in an easily comprehensible way and with training videos.

✓ Rules regarding the use of AI tools in the company raise the employees' awareness of the risks of external AI applications and demonstrate how these can be used safely.

BASIC PRINCIPLE AND CHALLENGES

Responsible digitalisation calls for data protection and information security that are rigorous

The security and protection of personal data are of crucial importance to the Telefónica Deutschland Group as the digital transformation will only be successful if people have faith in the company and in how it handles sensitive data. A great deal of data is generated and processed as part of the Telefónica Deutschland Group's core business. Every day, millions of customers place their trust in its mobile network and services. The company is aware of the responsibility that comes along with this – the Telefónica Deutschland Group sets especially great store by the rights and freedoms of persons concerned in relation to the confidentiality of communications, the protection of personal data and the security of the information transported via its networks. It wishes to ensure that people remain in control of their data.

The Telefónica Deutschland Group guarantees data protection and information security on the basis of the relevant laws and regulations as well as detailed internal requirements. Individual measures go above and beyond the legal requirements, for example concerning certain business processes such as the erasure of traffic data for a number of data processing procedures after just 90 instead of 180 days as well as additional rules in data protection agreements. The Telefónica Deutschland Group pays particular attention to the protection of children and young people (see "Commitments to children's rights" ↗). It also makes a commitment in its Business Principles ↗ to data protection and 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. In this context, the company has made a commitment to recognising the CDR Code ↗ of the Corporate Digital Responsibility (CDR) Initiative. In its CDR report on measures ↗, the Telefónica Deutschland Group focuses on data handling.

The Telefónica Deutschland Group wishes to ensure that the data of customers, interested parties, employees, partners and investors is protected and is used in compliance with the data protection regulations throughout its processes and products. In

this way, the company also protects itself: legal compliance in this area is essential for its 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.

Current developments and challenges

The use of digital formats and the now preferred option of working from home have spawned new data protection and information security challenges. In addition, major company-wide IT projects in which, for example, 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.

When the war in Ukraine started, the Telefónica Deutschland Group reassessed the threat of cyberattacks and raised this risk's probability of occurrence. The number of attacks on the company and its infrastructure fluctuates, but the threat level generally continues to rise. To offer the company and its customers' data the best possible protection, the Telefónica Deutschland Group engages in intensive dialogue with government agencies and monitors the critical infrastructure to strengthen the resilience of its networks. Should the network or the services offered become compromised due to cyberattacks, this could have negative impacts on business and private customers such as restricting their right to freedom of speech or their privacy. The Telefónica Deutschland Group runs its Cyber Defence Centre to prevent this.

In 2023 the Telefónica Deutschland Group again rigorously implemented the newest laws and regulations regarding data protection and information security. In the reporting year, this included the further development of complementary agreements and safeguards regarding data processing in non-EU countries as a result of the Schrems II ruling and, for the USA, adaptation of these safeguards to the European Commission's adequacy decision regarding the EU-U.S. Data Privacy Framework. The Telefónica Deutschland Group engaged in intensive dialogue with the competent authorities in 2023 to clarify practical questions regarding application of the existing laws. Regarding future national and European laws such as the Artificial Intelligence Act (AI-Act), the Data Act and the BDSG

Amendment Act, the Telefónica Deutschland Group is already actively participating in the legislative procedure to ensure that the practical impacts on the telecommunications sector are likewise considered.

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 the Telefónica Deutschland Group regularly revising existing guidelines, adopting new ones 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) together with the guidelines concerning data protection. These clearly present the principles the company applies when handling data and in its communication with its customers and the public in a guidance document.

The internal guidelines concerning information security (Information Security Policy) and rules for minimum security requirements (Minimum Security Controls) apply throughout the organisation. These are supplemented by a wealth of additional standards, guidelines 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 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 standard data protection process and various procedural instructions, for example concerning the conducting of data protection assessments and the register of processing activities. The approach taken to identifying and minimising information security risks is documented in the security concept in accordance with Section 166 of the Telecommunications Act (TKG). The company's data protection governance contains clear guidelines on the protection of personal data, some of which 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 (DPO) and Chief Security Officer (CSO) 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 & Corporate Affairs. The full Management Board is thoroughly briefed on information security and data protection at least once a year. The Supervisory Board's Audit Committee is additionally notified regarding these topics every quarter. The Chair of the Audit Committee reports to the Supervisory Board on the activities of the Audit Committee, while the Chief Officer

for Legal & Corporate Affairs reports to the Supervisory Board on special topics.

The Security Committee, which is the Telefónica Deutschland Group's regulation and decision-making body for information security matters and requirements, is made up of members of the Management Board or their representatives. The committee is chaired by the CSO and convenes once a quarter. There are additionally committees within individual departments in which the latest data protection developments are discussed, including the Data Protection Steering Committee in the Digital & Data Competence division, which meets fortnightly. In its regular OC Data Protection Talk, the Omnichannel team teaches the Digital Analytics department about the latest developments and instructions for legally compliant data processing.

Objective: preventing violations and increasing security

Before data is processed, standardised checks are performed within the IT development and analysis processes as well as in other division-specific processes. The Telefónica Deutschland Group's objectives in the area of data protection and information security are:

- Continuously making the company more secure
- 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
- Further sharpen safety awareness through training, among other things
- Implement flexible security solutions for changing business models

The Telefónica Deutschland Group systematically establishes efficient structures and processes to prevent violations in the areas of data protection and information security. With the company-wide data protection management system (DPMS) and information security management system (ISMS), the company manages the processes that secure data protection standards, targets, responsibilities and training as well as regular checking of measures that have been implemented. The operation of applications in the core and backbone network for the provision of mobile network services, including voice, data and SMS, and for the provision of fixed network services, including telephony, was certified by TÜV NORD in accordance with ISO 27001 in the reporting year. As such, this certified that the company has for a sub-division of the Telefónica Germany GmbH & Co. OHG high information security standards.

Business resilience managers for information security and data protection coordinators have been established in the departments as fixed points of contact in order to improve management of the DPMS. In addition to the checks performed

by Internal Audit, the departments' systems and processes are regularly subjected to internal security and data protection assessments.

The Telefónica Deutschland Group uses a business continuity management system in the context of which contingency plans are drawn up for processes identified as critical. The IT outage scenario is covered by the corresponding contingency plans at the process level and updated annually in the context of standardised processes. Crisis management processes are established in order to be able to respond appropriately to relevant internal or external situations.

The Telefónica Deutschland Group also runs its Cyber Defence Centre (CDC) in order to reduce the company's cyber risks. The CDC is a central security centre that protects the Telefónica Deutschland Group's digital assets by analysing key events in its networks and the internet. This helps to identify attacks against the company and to respond quickly in order to minimise the impact of attacks. The Telefónica Deutschland Group also responds to the consequences of the ever-increasing threat of cybercrime with mitigating measures as part of its risk management for information security. These include increasing employee awareness and performing internal assessments.

Handling data protection incidents

The Telefónica Deutschland Group handles all the personal data of customers, interested parties, employees, shareholders, suppliers and other companies absolutely confidentially. If it uses service providers' data or has this used, it applies a standard data protection process to determine whether adequate data protection agreements and regulations have been concluded.

The company works with business partners who accept its data protection rules in accordance with the guidelines on data protection agreements and the corresponding agreements. For example, suppliers must contractually commit to complying with the Telefónica Deutschland Group's Supply Chain Sustainability Policy ⬈ as well as the requirements stipulated therein regarding the observance of national and international data protection standards. The company also conducts data protection and information security audits, among other things at its service providers' sites. Likewise, the Telefónica Deutschland Group has clear processes and regulations in place for involving subcontractors and sets corresponding requirements for contracts. A tool was introduced in 2023 to better document the existing data protection agreements. Additionally, company processes are reviewed again and again by the Federal Network Agency (Bundesnetzagentur) and the Federal Commissioner for Data Protection and Freedom of Information (BfDI) as the competent authorities.

The Telefónica Deutschland Group also has set rules in place for reporting data protection and security incidents; these are set out in the guidelines on security incidents and in the rules of procedure for data protection incidents and are communicated within the company. The data protection hotline ⬈ serves customers and employees as a first, conveniently reached point of contact for the reporting of incidents. In the event of complaints, suppliers and their employees can also contact the company via the Telefónica Deutschland Group's supplier platform, via an ombudsperson ⬈ or via the human rights channel ⬈. In relation to the new Whistleblower Protection Act (HinSchG), the Telefónica Deutschland Group brought its whistle-blower policy into line with the act's requirements and further developed the existing whistle-blower channel (confidential helpline ⬈).

Employees are required to report data protection incidents or suspected cases to their superiors and to the company's Data Protection Officer. A reporting form is available online for this. In the event of a data protection incident, the Telefónica Deutschland Group must notify the data protection supervisory authorities immediately. A time limit of within 24 hours applies if the incident also relates to traffic data; otherwise the deadline is within 72 hours. Reports are made to the competent authorities by the Data Protection Officer or their team. If it can be assumed that violation of the protection of personal data will also seriously compromise people in their rights or legitimate interests, these individuals must likewise be notified of the incident.

In the past financial year, no proceedings were initiated due to possible data protection violations and possible infringement of the legal provisions in this area. No penalties in the form of legally binding fines were imposed on the basis of violations of the legal provisions regarding data protection.

37 security breaches or incidents were identified in accordance with section 168 German Telecommunications Act (TKG) and communicated to the responsible supervisory authorities in 2023. 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 information security.

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Data protection and information security

	2023	2022	2021
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act (TKG))[1]	0	1	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	37	26	16
Penalties in the form of fines paid in relation to security breaches or other network security incidents	0	0	0

[1] Proceedings initiated during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. No new proceedings were initiated in the current reporting year. One proceeding from the 2019 financial year and one from 2020 were concluded in the 2023 reporting period. We consider two further proceedings initiated in 2020 to be closed, as there was no further communication from the authorities and the conclusion of proceedings is not always actively communicated. Concluded procedures 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 in the indicator "penalties in the form of fines as a result of data protection violations in the reporting year".

STRATEGIC PRIORITIES
Raising awareness and educating

The Telefónica Deutschland Group provides regular, targeted and comprehensible information about how it processes data. It bases its actions on the principles of self-determination, transparency, protecting personal data, and innovation as enshrined in its guidelines regarding data protection. The customers are provided with data protection information concerning their contracts upon concluding a contract and, upon request, at any time during the term of their contract. They can also obtain information on the company's data processing from the website.

The most important information tools the customers can access in a direct and targeted manner include the Telefónica Deutschland Group's data protection website and its brands' respective data protection websites ↗. These explain in detail what types of data the Telefónica Deutschland Group processes, how it protects the data of its customers and what they themselves can do to protect their data. Consumers can also exercise their rights in accordance with the GDPR there. Via the consent management section, they can give or revoke their consent to data processing for direct marketing purposes at any time. This means they maintain control over their data.

The employees of the Telefónica Deutschland Group regularly undergo mandatory training in the area of data protection and information security, in some cases 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 reporting year 2023, 87.2 % of the employees[1] took part in mandatory annual data protection training; this equates to 6,487 hours of training. The biennial mandatory training on information security was completed by 91.3 % of the employees[2] in the past two years, equating to 5,090 training hours. The Telefónica Deutschland Group intends to further increase this proportion.

Unlike in the pandemic years, the group was once again able to offer a face-to-face workshop by the Data Protection Officer for data protection coordinators from all departments in the year under review. Online training on data protection topics which is tailored to the departments' needs is additionally provided regularly. Several training units were also held for employees and service providers in relation to the internal transformation programme. In this way, the company not only raised the employees' awareness regarding the processing of personal data in day-to-day business, but also advanced the expansion and sharing of data protection expertise in the departments.

The data protection team published further recommendations for employees on the Data Protection Officer's internal website in the year under review to make handling data protection issues easier. These included the data protection checklist, which affords the data protection coordinators and other employees a quick overview of the tasks to be completed within the standard data protection process.

Data protection advice as a core responsibility

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"). The Telefónica Deutschland Group assists its employees in observing and documenting all the measures required for data protection with its own tools and checklists. The GDPR additionally obliges all division heads to structure and manage their data protection measures in a risk-oriented way.

The OneTrust online platform, which serves as a centralised data protection management system, simplifies the process of advising employees. For example, it enables them to work according to fixed workflows that make data protection advice more transparent and more efficient. The platform is being continuously expanded and is set to gradually replace other tools. In 2023, for example, documentation of data protection agreements was incorporated into the platform. The employees in the Digital & Data Competence division additionally have access to an intranet page known as the Data Protection Info Hub. Here, department-specific topics are explained and retained for reference purposes.

The Telefónica Deutschland Group published an internal data protection website in the reporting year that explains data protection to the employees in an easily comprehensible way and with training videos. A chatbot which is available company-wide via the collaboration platform Microsoft Teams ensures that many of the employees' questions are answered swiftly. Since the reporting year, data protection services which are frequently needed and answers to legal questions have been available in the new Legal & Corporate Affairs service portal. Here, the employees can, for example, generate data protection agreement templates, create a data protection fact sheet for competitions or seek data protection advice (more on these services in the "Business conduct" section).

Data protection and security standards further increased

The Telefónica Deutschland Group further optimised its information security management system and continued to enhance the risk management process in the year under review. Ongoing training of the data protection coordinators in the departments is likewise aimed at increasing the data protection standards.

To progressively optimise the standards for the protection of customer and employee data, the company continues to work

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[1] Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation for data protection only includes the training completed in the reporting year 2023, as this training is mandatory every year.
[2] Proportion based on number of employees of the Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation for information security includes the training completed in the reporting years 2022 and 2023, as this training is mandatory every two years. For 2023 this means 6,787 completed training units between 1 January 2022 and 31 December 2023.

on introducing new and revising existing security processes. Among other things, the Telefónica Deutschland Group realised an internal project in 2023 for the authentication of callers to the customer hotline and introduced a new authentication matrix in the process. The customers can only perform certain business processes over the phone if they authenticate them using a personal customer number or PUK. The Federal Commissioner for Data Protection and Freedom of Information (BfDI) highlighted this as positive in a press release.

The Telefónica Deutschland Group continues to transfer data to the cloud, not only to increase failure safety and reduce operating costs, but also in particular to be able to promptly offer its customers tailored solutions. It engaged in intensive consultation with the regulatory authorities in the run-up to this, and a comprehensive security concept was submitted to the competent regulatory authority, the Federal Network Agency (Bundesnetzagentur).

Awareness is also raised among the employees regarding the dangers of online tools and how to use them correctly. In 2023, for example, a fair use policy was introduced concerning the lawful use of M365 in the Telefónica Deutschland Group. With rules regarding the use of AI tools in the company, likewise published in the reporting year, the Telefónica Deutschland Group makes its employees aware of the risks of external AI applications and explains how such applications can be used safely.

Telefónica Deutschland – Disclosures according to Art. 8 Taxonomy Regulation

Within the framework of the EU Action Plan on Sustainable Finance, the redirection of capital flows towards sustainable investments is a key objective. Against this background, 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 Taxonomy Regulation) has entered into force as a uniform and legally binding classification system to determine which economic activities in the EU are considered "environmentally sustainable". The results of this classification are to be reported annually on a company-specific basis.

Article 9 of the Taxonomy Regulation lists the following six environmental objectives:

a) Climate change mitigation;
b) Climate change adaptation;
c) Sustainable use and protection of water and marine resources;
d) Transition to a circular economy;
e) Pollution prevention and control;
f) Protection and restoration of biodiversity and ecosystems.

On November 21st, 2023, the EU has officially published the Delegated Regulation 2023/2486 as well as the Delegated Regulation 2023/2485. This regulation includes the economic activities for the remaining four environmental objectives and completes the previously published Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2021/2178.

Regarding the classification of an economic activity as "environmentally sustainable" in the sense of the EU Taxonomy, a distinction must be made between taxonomy eligibility and taxonomy alignment. In a first step, it must be verified whether an economic activity is described in the Delegated Acts and thus is taxonomy-eligible. Only taxonomy-eligible economic activities can be considered "environmentally sustainable" if certain criteria are met. Accordingly, as a second step it must be evaluated whether the economic activity makes a substantial contribution to an environmental objective, does not significantly harm another environmental objective and is carried out in compliance with the minimum safeguards requirements. In order to comply with the minimum safeguards, the Art. 18 of the Taxonomy Regulation references to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labor Standards, and the International Bill of Human Rights as relevant frameworks.

Provided that these criteria are cumulatively met, the business activity can be classified as taxonomy-aligned.

With the obligation to disclose a non-financial statement, Telefónica Deutschland is required to apply the regulatory requirements of the Taxonomy Regulation. In accordance with Paragraph 315e (1) HGB, the Consolidated Financial Statement of Telefónica Deutschland as of December 31, 2023 has been prepared in accordance with IFRS.

For the reporting year 2023, the proportion of taxonomy-eligible and non-taxonomy-eligible as well as taxonomy-aligned and non-taxonomy-aligned economic activities in turnover as well as capital expenditures (CapEx) and operating expenditures (OpEx) are to be disclosed for the two environmental objectives (climate change mitigation and adaptation). For the non-climate environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystem) only taxonomy-eligible economic activities have to be disclosed.

Based on the descriptions of the economic activities in the Climate Delegated Act and Environmental Delegated Act of the Taxonomy Regulation, the activities of Telefónica Deutschland were analyzed to determine whether and to what extent the economic activities are taxonomy-eligible in relation to the six environmental objectives of climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystem. Here, as in the previous years, activities 8.1 "Data processing, hosting and related activities" and 8.2 "Data-driven solutions for GHG emissions reductions" in the area of "Information and communication" were identified as taxonomy-eligible in the environmental objective of climate change mitigation. With regard to Annex II of the Climate Delegated Act (Environmental objective climate change adaptation) no activities are taxonomy-eligible. When analyzing Telefónica Deutschland activities for the environmental objectives of the Environmental Delegated Regulation (sustainable use and protection of water and marine resources (Annex I), transition to a circular economy (Annex II), pollution prevention and control (Annex III) and protection and restoration of biodiversity and ecosystem (Annex IV)), activities 5.4 "Sale of second-hand goods" and, 5.5 "Product-as-a-service and other circular

use- and result-oriented service models" were identified as taxonomy-eligible in the environmental objective of transition to a circular economy. Telefónica Deutschland's activities are not taxonomy-eligible under Annex I, III and IV to the Environmental Delegated Act.

Telefónica Deutschland's cloud business activity is assigned to activity 8.1 and is capable of making a significant contribution to the environmental objective of "climate change mitigation" within the sense of the EU Taxonomy. Telefónica Deutschland's IoT business is assigned to activity 8.2 and is also attributable to the environmental objective "Climate change mitigation". The sale of refurbished cell phones is assigned to activity 5.4 "Sale of second-hand goods", and the rent out of routers within the provision telecommunication contracts is considered eligible under activity 5.5 "Product-as-a-service and other circular use- and result-oriented service models". Those two new activities are attributable to the environmental objective "Transition to a circular economy". The following table provides a more detailed overview of the allocation of the business activities (not exclusive: apart from business activities, other secondary or individual measures were identified):

	Taxonomy activities	Telefónica Germany's activities
Main activities that contribute significantly to climate change mitigation	**Activity 8.1. data processing, hosting and related activities**	**Cloud services** for the storage, management, control or processing of data via the Internet
	Activity 8.2 Data-based solutions to reduce greenhouse gas emissions.	ICT solutions such as **M2M and private networks** that collect, transmit, and store data that enable reductions in greenhouse gas emissions from other activities
Main activities that contribute significantly to transition to a circular economy	**Activity 5.4 Sale of second-hand goods**	Sale of refurbished cell phones
	Activity 5.5 Product-as-a-service and other circular use- and result-oriented service models	Renting of routers to customers

The economic activities which have been identified last year as taxonomy-eligible were assessed in the next step regarding their substantial contribution to the environmental objective "climate change mitigation". Economic activities that are considered within the new environmental objectives have not been assessed for their alignment this year.

Activity 8.1's substantial contribution to climate change mitigation requires compliance with two technical screening criteria:

- Implement all relevant practices provided for in the latest version of the European Code of Conduct for Data Center Energy Efficiency and have them audited by a third party at least every three years.
- Use of refrigerants in the cooling system of the data center with a global warming potential (GWP) below 675

For the cloud business, Telefónica Deutschland works with data center providers through which the cloud solutions are processed. For this reason, evidence of the above criteria was requested from the business partners.

The December 19, 2022 FAQs include clarification on the criteria for compliance and review of the aforementioned Code of Conduct. In early 2023, an assessment framework for external verification of compliance with the practices set out in the Code of Conduct was added to the Code of Conduct. However, the corresponding evidence could not be provided by the business partners.

Activity 8.2's substantial contribution to climate change mitigation requires compliance with two technical screening criteria:

- The ICT solution is mainly used to provide data and analysis to enable the reduction of greenhouse gas emissions.
- If an alternative solution/technology is already available on the market, the ICT solution demonstrably achieves significant lifecycle GHG emissions savings compared to the best performing alternative solution/technology.

Telefónica Deutschland's digital solutions help to ensure connectivity/networking to provide data and analytics to reduce GHG emissions. Various sector studies, such as "The Enablement Effect"[1] by GSMA and "GeSI Mobile Carbon Impact"[2], underline that ICT solutions enable the reduction of GHG emissions. For example, M2M solutions enable behavioral changes to reduce emissions by providing simple control systems for energy and water consumption, e.g., through smart metering. The development of dedicated local networks (e.g. private networks) enables emission savings in the area of smart manufacturing, as production machines can be optimally coordinated and efficiently controlled.

[1] Quelle: GSMA_Enablement_Effect
[2] Quelle: GeSI Mobile Carbon Impact

The classification of the specific solutions offered by Telefónica Deutschland was based on a market analysis. No alternative technologies available on the market were identified, which is why a lifecycle analysis is not performed.

The next step is to evaluate whether the identified Telefónica Deutschland products do not significantly harm any other environmental objectives. For this purpose, the DNSH criteria 2) climate change adaptation and 4) circular economy must be examined.

To fulfill DNSH criterion 2), a climate risk analysis was performed for the more than 30,000 antenna sites of the telecommunications network. For this purpose, the climate scenarios RCP2.6 (temperature increase does not exceed the 2°C limit by the end of the century) and RCP8.5 (temperature increase is 4°C by the end of the century) were analyzed, considering time horizons up to 2030, 2040 and 2050. The climate risk analysis conducted again in 2023 has shown that the climate-related hazards "heat stress" and "flood" are relevant for Telefónica Deutschland. In this context, appropriate adaptation solutions are in place that are to be further expanded in the coming years.

DNSH criterion 4) include the environmental objective of circular economy including applicable EU directives and further requirements regarding waste management. Maintenance of the network infrastructure is the main source of Telefónica Germany's waste. To a lesser extent, it is also administrative activities in the offices and business activities with customers. Compliance with legal obligations in the area of waste management is regularly checked as part of internal and external audits of ISO 14001. Regarding the disposal of waste at the end of the useful life of electrical and electronic equipment, Telefónica maintains contractual agreements with its suppliers and waste disposal companies for the collection and recycling of waste. This involves verifying that the waste management company has the appropriate authority and has implemented adequate controls. In addition, network components such as repeaters, radio links and other electronic devices have declarations of conformity in accordance with the RoHs Directive (Directive 2011/65/EU), CE marking (Directive 2009/125/EC) and WEEE marking (Directive 2012/19/EU).

As a final step, compliance with the minimum safeguards must be ensured. Telefónica Deutschland respects and supports human rights including labor and consumer rights and anti-corruption and bribery throughout its supply chain. For this reason, Telefónica Deutschland has a human rights due diligence process consisting of policies and commitments, risk analyses, deriving and implementing measures, monitoring the implementation of these measures and their results and communicating about them, and a grievance mechanism. Furthermore, guidelines, processes and management systems

for the topics anti-corruption and bribery, fair competition and taxation are implemented. Telefónica Deutschland's systems and processes help to ensure compliance with the frameworks set out in Art. 18 of the Taxonomy Regulation. They are regularly reviewed for appropriateness and effectiveness and continuously developed.

With regard to the investments in air conditioners (7.3), a corresponding analysis was carried out for the substantial contribution (7.3 letter e)) to ensure that the air conditioners are highly efficient. With respect to the DNSH evaluation of the pollution prevention and control objective, Telefónica has carried out a process in which it has evaluated the following aspects through confirmation by electrical and electronic equipment suppliers of the company environmental statements:

- In line with the provisions of the REACH Regulation, the supplier declares that the products it supplies to Telefónica do not exceed 0.1% by weight of any substance included in the list of substances of very high concern, as listed by the "European Chemicals Agency".
- In line with the provisions of the RoHS directive, the supplier declares that the products it supplies to Telefónica do not exceed the limits established in Annex II of the aforementioned directive.
- Likewise, for the specific case of the use of batteries and accumulators, and in line with the provisions of Directive 2006/66/EC and its update according to Directive 2013/56, the supplier declares that the products do not exceed the limits established by this Directive in terms of the following substances: mercury and cadmium.

Although the DNSH criterion requires evaluating some additional aspects to those indicated above, Telefónica considers that, with the evaluation of these aspects, it evaluates said DNSH criterion in a sufficiently significant manner.

Regarding investments in charging stations for electric vehicles (7.4), the same criterion applies for the substantial contribution as for taxonomy eligibility, which can therefore be regarded as fulfilled.

For the fulfillment of Appendix A, for economic activities 7.3 and 7.4, reference can be made to the climate risk analyses carried out and adaptation solutions defined.

Concerning the reporting forms in accordance with Annex XII of Delegated Regulation 2021/2178, we have no activities in the area of electricity generation, combined heat, power and cooling generation and heat/cooling generation from fossil gas as well as in the area of nuclear energy.

Throughout the process, the necessary considerations have been taken into account to avoid double counting:

- Reconciliation with the accounting information, which guarantees the proper consideration of eliminations and adjustments made during the consolidation process.
- Use of consistent sources of information, which avoids considering the same item in two different indicators or twice within the same indicator.
- Verification of data completeness and accuracy.

The turnover, CapEx and OpEx KPIs are calculated based on the data reported in the consolidated financial statements. Fully consolidated and proportionately consolidated Group companies are included.

Turnover KPI

The turnover KPI is the ratio of the turnover from taxonomy-eligible/-aligned economic activities in a financial year to the total turnover of that financial year. The basis of turnover is net turnover from the sale of goods or the rendering of services, including intangible assets in accordance with IAS 1.82(a).

The total revenue of €8,614 million for the financial year 2023 forms the denominator of the revenue indicator and can be taken from the consolidated income statement (see section "Consolidated income statement" under Consolidated financial statements ↗).

The revenues of Telefónica Deutschland reported in the consolidated income statement are analyzed across all Group companies to determine whether they were generated from the identified taxonomy-eligible economic activities in accordance with Annex I (Substantial Contribution to Climate Change Mitigation) of the Delegated Climate Act and Annex II (Substantial Contribution to a Transition to a circular economy) of the Environmental Delegated Act. A detailed analysis of the items included in the revenues is used to allocate the respective revenues to the taxonomy-eligible economic activities. The sum of the revenues in the amount of €82 million[1] of the taxonomy-eligible economic activities for the fiscal year 2023 constitutes the numerator. This contains revenues from economic activity 8.1 in the amount of €17 million, economic activity 8.2 in the amount of €20 million, economic activity 5.4 in the amount of €12 million, and activity 5.5 in the amount of €33 million. This results in a taxonomy-eligible turnover KPI of 1.0%. An analysis of the taxonomy-eligible revenues with regard to the substantial contribution criteria has shown that the corresponding criteria regarding activity 8.2 are met. Consequently, the taxonomy-aligned revenue 0.2%.

CapEx KPI

According to Taxonomy Regulation Art. 8 Annex I subsection 1.1.2.2 of the Delegated Regulation (EU) 2021/2178 Content and Presentation, the CapEx KPI indicates the proportion of capital expenditure that is

a. related to assets or processes that are associated with Taxonomy-aligned economic activities; or

b. part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('CapEx plan') under the conditions specified in the second subparagraph of this point 1.1.2.2; or

c. related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, notably activities listed in points 7.3 to 7.6 of Annex I to the Climate Delegated Act, as well as other economic activities listed in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The basis for capital expenditure is the additions to property, plant and equipment and intangible assets as well as rights of use in accordance with IFRS 16 before depreciation, amortization and any revaluations for the financial year in question and without changes in fair value. The total capital expenditure according to Taxonomy Regulation Art. 8 Annex I 1.1.2.1 is € 1.758 million (see respective disclosures in chapters "5.2 Other intangible assets", "5.3 Property, plant and equipment", "5.4 Right-of-use assets" of the consolidated financial statement ↗).

Based on project descriptions, the total additions were analyzed to determine whether they were related to a taxonomy-eligible/-aligned economic activity (CapEx a)), or were part of a plan to expand or achieve an environmentally sustainable economic activity (CapEx b)), or related to the acquisition of products from a taxonomy-eligible/ -aligned economic activity and individual measures through which the target activities are carried out in a low-carbon manner or the emission of GHG is reduced (CapEx c)). Additions related to economic activity 8.1 "Data processing, hosting and related activities" amounting to €0.05 million, related to economic activity 8.2 "Data-driven solutions for GHG emissions reductions" amounting to €0.8 million, related to economic activity 5.5 "Product-as-a-service and other circular use- and result-oriented service" amounting to €45 million and related to economic activity 7.3 "Installation, maintenance and repair of energy efficiency equipment" amounting to €3.3 million, related to economic activity 7.4 "Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking

[1] Due to mathematical rounding differences, there are minor discrepancies

spaces attached to buildings)" amounting to €0.04 million were identified. This is supplemented by the acquisition of taxonomy-eligible services and products in the areas of Fleet Management (economic activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles), Buildings (7.7 Acquisition and ownership of buildings). The sum of these additions, which reflect a taxonomy-eligible investment, forms the numerator of the CapEx figure of €116.7 million. This results in a taxonomy-eligible CapEx KPI of 6.6 %. An analysis of the taxonomy-eligible investments with regard to the taxonomy alignment has shown that the relevant criteria are met for activity 7.3, 7.4, and 8.2. For all other taxonomy-eligible investments the relevant criteria are not met, as the business partners cannot provide the required evidence. Consequently, the taxonomy-aligned CapEx is 0.2 %.

Changes in the taxonomy-aligned CapEx compared to the previous year are explained by the fact that the alignment criteria were fulfilled for the first time in 2023 for activity 7.3, 7.4, and 8.2.

OpEx KPI

According to Taxonomy Regulation Art. 8 Annex I subsection 1.1.3.2 of the Delegated Regulation (EU) 2021/2178 Content and Presentation, the OpEx KPI indicates the proportions of operating expenses given as:

a. Relates to assets or processes associated with taxonomy-aligned economic activities, including training and other workforce adjustment requirements and direct noncapitalized costs in the form of research and development; or

b. Are part of the CapEx plan to expand taxonomy-aligned economic activities or allows for the conversion of taxonomy-eligible economic activities to taxonomy-aligned economic activities within a predefined time period, as set forth in the second paragraph of this Section 1.1.3.2; or

c. Relates to the acquisition of production from taxonomy-aligned economic activities and to individual measures by which the target activities are carried out in a low-carbon manner or greenhouse gas emissions are reduced, as well as to individual building renovation measures, as set out in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within 18 months.

The basis for determining the KPI is the sum of expenses on the corresponding accounts for building renovation, measures, short-term leasing, maintenance and repair, research and development and other direct expenses relating to the day-to-day services of property, plant and equipment assets.

The total operating expenses according to subsection 1.1.3.1 of Annex I to Delegated Regulation (EU) 2021/2178 are €257 million.

The numerator of the OpEx KPI according to Subsection 1.1.3.2 of Annex I of Delegated Regulation (EU) 2021/2178 results from an analysis of the assets related to the expenses recorded in the accounts mentioned above with regard to their taxonomy eligibility. Thereby, operating expenses related to economic activity 8.2 in the amount of €0.2 million, could be identified. This results in a total of €0.2 million in taxonomy-eligible operating expenses. This corresponds to a taxonomy-eligible OpEx KPI of 0.1 %. An analysis of the taxonomy-eligible operating expenses with regard to the taxonomy alignment has shown that the relevant criteria are met for activity 8.2. Consequently, the taxonomy-aligned OpEx is 0.1 %.

Changes in the taxonomy-aligned OpEx compared to the previous year are explained by the fact that the alignment criteria were fulfilled for the first time in 2023 for activity 8.2.

Turnover

Economic activities	Code	Turnover	Proportion of Turnover, year 2023	Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")						Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) Turnover, year 2022	Category enabling activity	Category transitional activity
				Climate change mitigation	Climate change adaptation	Water and marine ressources	Pollution	Circular economy	Biodiverstiy	Climate change mitigation	Climate change adaptation	Water and marine ressources	Pollution	Circular economy	Biodiverstiy				
		in Mio. EUR	in %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Data-driven solutions for GHG emissions reductions	CCM 8.2	20.3	0.2 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	Y	–	Y	0.2 %	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**20.3**	**0.2 %**	**0.2 %**	**0 %**	**0 %**	**0 %**	**0 %**	**0 %**	**–**	**Y**	**–**	**–**	**Y**	**–**	**Y**	**0.2 %**		
of which enabling		20.3	0.2 %	100 %	0 %	0 %	0 %	0 %	0 %	–	Y	–	–	Y	–	Y	0.2 %	E	
of which transitional		0.0	0.0 %	0 %															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Data processing, hosting and related activities	CCM 8.1	16.9	0.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2 %		
Sale of second-hand goods	CE 5.4	11.5	0.1 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	33.2	0.4 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**61.6**	**0.7 %**	**0.2 %**	**0 %**	**0 %**	**0 %**	**0.5 %**	**0 %**								**0.2 %**		
A. Turnover of Taxonomy eligible activities (A1+A2)		**81.9**	**1.0 %**	**0.4 %**	**0 %**	**0 %**	**0 %**	**0.5 %**	**0 %**								**0.4 %**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		**8,532**	**99 %**																
Total A + B		**8,614**	**100 %**																

Codes in columns 5 to 10: **Y** Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective / **N** No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective / **N/EL** not eligible, Taxonomy non-eligible activity for the relevant environmental objective / **EL** Taxonomy eligible activity for the relevant objective

Table according to footnote (c) of Environmental DA Annex V

	Proportion of turnover / Total turnover	
	aligned per objective	eligible per objective
CCM	0.2 %	0.4 %
CCA	0 %	0 %
WTR	0 %	0 %
CE	0 %	0.5 %
PPC	0 %	0 %
BIO	0 %	0 %

CapEx

Economic activities	Code	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water and marine ressources	Pollution	Circular economy	Biodiverstiy	Climate change mitigation	Climate change adaptation	Water and marine ressources	Pollution	Circular economy	Biodiverstiy	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CapEx, year 2022	Category enabling activity	Category transitional activity
						Substantial contribution criteria						DNSH criteria („Do No Significant Harm")							
		in Mio. EUR	in %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	3.3	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	Y	–	–	Y	0.0%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	0.0%	E	
Data-driven solutions for GHG emissions reductions	CCM 8.2	0.8	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	Y	–	Y	0.0%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**4.2**	**0.2%**	**0.2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**–**	**Y**	**–**	**Y**	**Y**	**–**	**Y**	**0.0%**		
of which enabling		4,2	0.2%	100%	0%	0%	0%	0%	0%	–	Y	–	Y	Y	–	Y		E	
of which transitional			0%	0%															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	5.7	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Acquisition and ownership of buildings	CCM 7.7	61,8	3.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.0%		
Data processing, hosting and related activities	CCM 8.1	0,0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	45.0	2.6%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**112.6**	**6.4%**	**3.8%**	**0%**	**0%**	**0%**	**2.6%**	**0%**								**3.5%**		
A. CapEx of Taxonomy eligible activities (A1+A2)		**116.7**	**6.6%**	**4.1%**	**0%**	**0%**	**0%**	**2.6%**	**0%**								**3.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**1,641**	**93%**																
Total A + B		**1,758**	**100%**																

Codes in columns 5 to 10: **Y** Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective / **N** No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective / **N/EL** not eligible, Taxonomy non-eligible activity for the relevant environmental objective / **EL** Taxonomy eligible activity for the relevant objective

Table according to footnote (c) of Environmental DA Annex V

	Proportion of CapEx / Total CapEx	
	aligned per objective	eligible per objective
CCM	0.2%	4.1%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	2.6%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

OpEx

Economic activities	Code	OpEx	Proportion of OpEx, year 2023	Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")							Proportion of Taxonomy aligned (A.1) or eligible (A.2) OpEx, year 2022	Category enabling activity	Category transitional activity
				Climate change mitigation	Climate change adaptation	Water and marine ressources	Pollution	Circular economy	Biodiverstiy	Climate change mitigation	Climate change adaptation	Water and marine ressources	Pollution	Circular economy	Biodiversity	Minimum safeguards			
		in Mio. EUR	in %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Data-driven solutions for GHG emissions reductions	8.2 CCM	0.2	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	Y	–	Y	0.0%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.2**	**0.1%**	**0.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**–**	**Y**	**–**	**–**	**Y**	**–**	**Y**	**0%**		
of which enabling		0.2	0.1%	100%	0%	0%	0%	0%	0%	–	Y	–	–	Y	–	Y		E	
of which transitional			0%	0%															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0.0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.0%**		
A. OpEx of Taxonomy eligible activities (A1+A2)		**0.2**	**0.1%**	**0.1%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		**257**	**100%**																
Total A + B		**257**	**100%**																

Codes in columns 5 to 10: **Y** Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective / **N** No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective / **N/EL** not eligible, Taxonomy non-eligible activity for the relevant environmental objective / **EL** Taxonomy eligible activity for the relevant objective

Table according to footnote (c) of Environmental DA Annex V

	Proportion of OpEx / Total OpEx	
	aligned per objective	eligible per objective
CCM	0.1%	0.1%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

The Role of Telecommunications Networks in the Taxonomy

The application of the taxonomy regulatory framework has generated uncertainty and doubts of interpretation in the market, which has resulted in the difficulty of articulating a common language for all sectors and geographies within the European framework, in an area as diverse and complex as sustainability.

The Platform on Sustainable Finance published its Recommendations on Data and Usability of the EU Taxonomy report in October 2022, encouraging the Commission to provide guidelines to facilitate homogeneous disclosure of information. In this regard, the European Commission has published a number of documents (FAQs). These are intended to provide greater clarity on the Regulation and its application.

For the Information and Communication Technology (ICT) sector, the key questions of interpretation have been related to whether or not telecommunication networks were covered under activity 8.2.

Faced with doubts about interpretation and understanding networks as connectivity solutions that are developed to transmit, store and use data, and that can reduce greenhouse gas emissions, Telefónica reported in 2021 a range. In the minimum reported value, the three KPIs (Turnover, CapEx and OpEx) were calculated, considering only the development or use of digital services, not including telecommunications networks, necessary for data transmission. The maximum value also included the data transmission phase through the use of technologies such as fibre or 5G.

In 2022, the second year of application of the European Taxonomy and the first year of reporting aligned activities, Telefónica's report was affected by the publication of the draft FAQ published by the European Commission on December 19, 2022. This draft limited the consideration of telecommunications networks in activity 8.2 in one of its questions.

Based on the FAQs, the EU Taxonomy KPIs do not consider Telefónica's main business activities and correspond to the minimum approach from 2021. Nevertheless, Telefonica has decided to report the numbers of the maximum approach as a voluntary disclosure for reasons of transparency and comparison as well as to show the impact of telecommunication networks in 2022.

In April 2023 European Telecommunications Network Operators' Association (ETNO) published a paper to address the complexity of implementing taxonomy regulations by the sector. This paper highlighted the fundamental role played by telecommunication networks in the process of decarbonisation of the global economy, both for the decarbonisation of the sector itself and for the enabling effect it generates in mitigating emissions from many other economic sectors.

To address the various suggestions that would have been generated over the years by stakeholders on activities in the taxonomy, the Platform on Sustainable Finance, together with the European Commission, created the "Stakeholder Request" mechanism.

In line with this mechanism, in December 2023 European Telecommunications Network Operators' Association (ETNO) and Global System for Mobile communications Association (GSMA) proposed a new taxonomy activity making use of this mechanism that has been enabled by the Commission, with the aim of including the deployment and operations of telecommunications networks into the Taxonomy regulation. Recognizing this way, the full enabling potential of electronic communications networks in the greening of the economy.

The response and results of the Platform's analysis of the proposals for inclusion and modification of activities are expected to take place in in the near future.

Table of key figures

	Unit	2023	2022	2021
Environmental aspects				
Climate change				
Total energy consumption	GWh	**803**	799	755
Total electricity consumption[1]	GWh	**777**	775	732
of which by the network and data centres[2]	GWh	**760**	757	711
of which by offices, shops, call centres	GWh	**17**	18	21
Total fuel consumption[3]	GWh	**26**	24	23
Energy intensity: total energy consumption per data volume[4]	GWh/PB	**0.07**	0.08	0
Energy from renewable energy sources	GWh	**777**	775	732
Proportion of total electricity consumption from renewable energy sources[5]	%	**100**	100	100
Total carbon emissions (Scope 1, 2, 3) (market-based method)[6,7]	tCO_2eq	**9,103**	7,766	6,266
Total carbon emissions (Scope 1, 2, 3) (location-based method)[7,8]	tCO_2eq	**346,327**	333,228	274,190
Direct emissions (Scope 1) incl. refrigerant emissions	tCO_2eq	**5,955**	5,520	5,369
Indirect emissions (Scope 2) (market-based method)	tCO_2eq	**234**	261	581
Indirect emissions (Scope 2) (location-based method)	tCO_2eq	**337,459**	325,723	268,505
Indirect emissions: procurement of goods and services (Scope 3)[9]	tCO_2eq	**194,265**	160,363	154,339
Indirect emissions: capital goods (Scope 3)	tCO_2eq	**57,826**	58,171	43,765
Indirect emissions: fuel and energy-related emissions (Scope 3)	tCO_2eq	**1,426**	1,330	1,187
Indirect emissions: business travel (Scope 3)[7]	tCO_2eq	**2,913**	1,985	316
Indirect emissions: use of products sold (Scope 3)[10]	tCO_2eq	**135,510**	161,435	132,806
Indirect emissions: total Scope 3	tCO_2eq	**391,940**	383,284	332,413
Social aspects				
Own workforce				
Employee Net Promoter Score (eNPS)/attractiveness as an employer	Score	**78.0**	66.2	60.4
Average hours of training and education per year per employee[11]	Number	**15.6**	16.2	17.6
Women in senior management (incl. Management Board)	%	**32.2**	32.1	28.8
Confirmed incidents of discrimination and corrective actions taken	Number	**0**	0	0
Gender pay gap	%	**16.5**	18.2	19.5
Gender pay gap (adjusted)[12]	%	**1.5**	1.8	n/a
Absenteeism rate[13]	%	**5.2**	5.9	4.9
Human rights and social standards along the supply chain				
Suppliers audited regarding sustainability aspects[14]	Number	**695**	n/a	n/a
Proportion of suppliers audited regarding sustainability aspects[15]	%	**79.0**	n/a	n/a
Proportion of the Management Board trained regarding the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG)	%	**100**	n/a	n/a
Consumers and end-users				
Churn rate of the O_2 brand (O_2 consumer postpaid)	%	**1.0**	1.1	0.9
5G population coverage (3.6 GHz, DSS/1800 MHz, 700 MHz)[16]	Rounded in %	**95**	80	30

	Unit	2023	2022	2021
Governance aspects				
Business conduct				
Employees and directors given training in the Business Principles and human rights[17]	%	**95.1**	84.3	97.7
Total number of cases of corruption[18]	Number	**0**	0	0
Data protection and information security				
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act (TKG))[19]	Number	**0**	1	0
Penalties in the form of fines as a result of data protection violations in the reporting year	Number	**0**	0	0
Reportable security breaches or incidents relating to information and network security[20]	Number	**37**	26	16
Penalties in the form of fines paid in relation to security breaches or other network security incidents	Number	**0**	0	0

[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. The calculation of fuel consumption is in accordance with Telefónica, S.A., consequently using the international conversion factors, and is verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U.

[4] The energy intensity is calculated by dividing the energy consumption by the data volume in petabytes.

[5] The Telefónica Deutschland Group procures its electricity via the electricity exchange. The electricity mix purchased here is qualified as 100 % green electricity by guarantee-of-origin certificates.

[6] 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, 684.03 g CO_2 per kWh is used (source: Association of Issuing Bodies (AIB), European Residual Mixes, 2022).

[7] Scope 3 emissions: other indirect emissions due to business travel (flights and rail travel). The emissions per km for flights and rail travel were calculated with emission factors applied Group-wide (source: UK government GHG conversion factors for company reporting, 2022). There are also other Scope 3 emissions not included in the total. These are listed separately. The focus at the Telefónica Deutschland Group is on business travel.

[8] Carbon emissions (including Scope 1 and Scope 2) are calculated in accordance with 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. The conversion of electricity consumption into CO_2 emissions is based on a uniform conversion factor for the whole of Germany, irrespective of the fact that a share of 100 % (previous year: 100 %) was obtained from renewable energy sources. The Telefónica Deutschland Group uses the electricity conversion factors of the German Environment Agency (development of specific carbon dioxide emissions of the German electricity mix in the years 1990–2022, 2023) and thus 434 g CO_2 per kWh from the year 2022 for the calculation basis according to the location-based method in the reporting year 2023.

[9] In addition to the five largest Scope 3 categories, other categories that the Telefónica Deutschland Group can calculate efficiently based on available data are also included – this concerns categories 4, 9 and 12. These three categories together represent <5 % of its Scope 3 emissions. Category 4 and 9 (up and downstream transport) are summarised in category 1 (purchased goods and services).

[10] In addition to the five largest Scope 3 categories, other categories that the Telefónica Deutschland Group can calculate efficiently based on available data are also included – this concerns categories 4, 9 and 12. These three categories together represent <5 % of its Scope 3 emissions. Category 11 (use of products sold) summarises category 12 (disposal of products sold).

[11] Calculations from the financial year 2021 onward were made on the average employee basis of active staff (excluding external consultants and temporary employees) for the Telefónica Deutschland Group's respective reporting year (Ø PIP 2021: 7,403; Ø PIP 2022: 7,054; Ø PIP 2023: 7,305).

[12] The calculation of the gender pay gap (adjusted) is based on the employees of the Telefónica Deutschland Group who are either active or on paid leave (2023: 7,246).

[13] The absence rate is calculated by dividing the number of sick days by the result of 250 target working days multiplied by the average of the total workforce (PIP 2023: 7,644).

[14] Number of Telefónica Deutschland Group suppliers registered on the IntegrityNext platform that have been audited regarding sustainability aspects – including human rights and working conditions, occupational health and safety, and environmental criteria (% in relation to the total number of 875 invited suppliers)

[15] Proportion of Telefónica Deutschland Group suppliers registered on the IntegrityNext platform in the reporting years 2022/2023 that were screened with regard to sustainability aspects – including human rights and working conditions, occupational health and safety, environmental criteria (% in relation to the total number of invited suppliers).

[16] 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 at both their place of residence and their place of work (maximum population). In this way, the Telefónica Deutschland takes into account that services are not only demanded stationary at the place of residence, but also while on the move. This figure is the 2023 year-end figure representing the availability of mobile services outdoors.

[17] Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,435; previous year: 7,181). The calculation includes the completed training units of the last three years. For 2023 this means 7,068 completed training units between 1 January 2021 and 31 December 2023.

[18] Confirmed suspected cases that led to measures related to labour law or sanctions

[19] Proceedings initiated during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. No new proceedings were started during the year currently under review. A set of proceedings from the financial year 2019 and one from 2020 were brought to an end during the 2023 reporting period. We consider two further sets begun in 2020 as concluded, since there has not been any further communication from the authority and active notification of conclusion does not always take place. Concluded proceedings generally lead to a penalty, a fine or abandonment of the proceedings as a result of the authority's suspicion not being justified. Fines are reported under the indicator "penalties in the form of fines as a result of data protection violations in the reporting year".

[20] 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 37 incidents.

Independent practitioner's report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To Telefónica Deutschland Holding AG, Munich

We have performed a limited assurance engagement on the separate non-financial group report of Telefónica Deutschland Holding AG, Munich, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Separate Non-financial Group Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Separate Non-financial Group Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "Telefónica Deutschland – Disclosures according to Art. 8 Taxonomy Regulation" of the Separate Non-financial Group Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Separate Non-financial Group Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Telefónica Deutschland

– Disclosures according to Art. 8 Taxonomy Regulation" of the Separate Non-financial Group Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Audit Firm's Independence and Quality Management

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 Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Ger-many; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Separate Non-financial Group Report based on our assurance engagement.

We conducted our assurance engagement in accordance with 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 obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Separate Non-financial Group Report, other than the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report, are not prepared, in all material respects, in accordance §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in "Telefónica Deutschland – Disclosures according to Art. 8 Taxonomy Regulation" of the Separate Non-financial Group Report.

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[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group 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.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Reconciliation of selected disclosures with the corresponding data in the financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Use of the work of a practitioner´s verification of energy consumption and greenhouse gas emission indicators according to ISO 14064
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Telefónica Deutschland – Disclosures according to Art. 8 Taxonomy Regulation" of the Separate Non-financial Group Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Munich, 15 February 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Lutz   Annette Maria Fink
Wirtschaftsprüfer
[German public auditor]

Imprint

Publisher
Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 50
80992 Munich
Tel.: +49 89 2442 0
www.telefonica.de

Investor Relations
Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 50
80992 Munich
Tel.: +49 89 2442 1010
Email address for institutional investors:
ir-deutschland@telefonica.com
Email address for private investors:
shareholder-deutschland@telefonica.com
www.telefonica.de/ir

Corporate Responsibility & Sustainability
Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 50
80992 Munich
Email: cr-de@telefonica.com
www.telefonica.de/sustainability

The Separate Non-Financial Group Report can be downloaded at
www.telefonica.de/nfs

The Annual Report can be downloaded at
www.telefonica.de/annualreport

Content concept
Telefónica Deutschland Holding AG
Corporate Responsibility & Sustainability, Munich

Editing and design
Scholz & Friends Reputation, Berlin
heureka, Essen

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February 2024 — all figures were, unless otherwise indicated, ascertained on 31 December 2023. This Separate Non-Financial Group Report is also available in German. If in doubt, refer to the German version, which is binding.