



*Telefonica*

Deutschland

People  
at the centre  
of digital  
responsibility

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CORPORATE RESPONSIBILITY  
REPORT 2018



# About the Report

Corporate responsibility (CR) is a central component of the Telefónica Deutschland Group's business mindset and activities. In this CR Report, we present the key information regarding our sustainability activities. It is aimed at our stakeholders such as the customers, employees, business partners, shareholders, policymakers, academia, non-governmental organisations (NGOs) and the interested public. We published our last CR Report in May 2018.

## Reporting period and report boundary

This CR Report contains information pertaining to the Telefónica Deutschland Group and Telefónica Deutschland Holding AG. This CR Report covers the financial year from 1 January to 31 December 2018. The report also contains information regarding relevant CR activities that extend beyond this period into other financial years. The quantitative key figures given in the report principally relate to the Telefónica Deutschland Group in the financial year 2018. Key figures that deviate from this are marked accordingly. The copy deadline is 15 April 2019. The German version of this report, which is binding, was published at the following online address on 29 April 2019 at [www.telefonica.de/nfe](http://www.telefonica.de/nfe).

## Comprehensive reporting in accordance with the GRI Standards

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

## Non-financial reporting as per CSR-RUG

This CR Report contains the separate combined non-financial Report (hereafter: non-financial Report) of Telefónica Deutschland Holding AG for the financial year 2018 pursuant to the "Act to strengthen non-financial reporting by companies in their management reports and group management reports" (CSR-Richtlinie-Umsetzungsgesetz (CSR Directive Implementation Act (CSR-RUG))). The contents of the non-financial Report are shown on individual pages that are marked with a light blue bar in the right-hand margin with the icon . Exact references, where the descriptions of the material topics according to CSR-RUG are integrated into the report, are shown in the chapter "Materiality according to CSR-RUG".

The PDF version of the CR Report 2018, prior CR Reports and other recent publications regarding CR activities are available in English and German at [www.telefonica.de/verantwortung](http://www.telefonica.de/verantwortung). We will continue to publish a CR Report annually. Readers with comments or questions can contact our CR team at [cr-de@telefonica.com](mailto:cr-de@telefonica.com).

The latest Annual Report can be found at [www.telefonica.de/annualreport](http://www.telefonica.de/annualreport).

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# Shaping Digitalisation

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# Dear Readers,

In 2018 digitalisation changed and shaped society and the economy more than ever before. This particularly applies to us as a company because our industry plays a key role in the digital transformation. In the course of this, we have been paying attention to the enormous potential of digitalisation on the one hand and the challenges and risks for sustainable living and business on the other. Accordingly, corporate digital responsibility (CDR) is already a material component of the Telefónica Deutschland Group's business activity and embedded in our Responsible Business Plan 2020. This plan has been our central CR management tool since 2016.

All relevant groups in society, notably politics and the economy, in Germany are facing the great task of setting the right course for the digitalisation of our country. The Telefónica Deutschland Group has set

itself the goal of shaping this profound change for the benefit of society and using the opportunities for future growth. In the process, we are particularly concerned with ensuring people are always at the centre of this transformation.

That is why we are not only working on creating a large modern mobile communications network – rather, we are putting our customers at the heart of our actions. We want to be “Mobile Customer & Digital Champion”. We aspire to make the achievements of digitalisation available for our customers to use anywhere and any time they like. In short, everybody should have access to the benefits of digitalisation. In 2018 we took an important step towards this goal, for example with our transformation programme Digital4Growth (D4G), which has a clear focus on the customer experience in the digital age.

In order to strengthen life in the digital age, we have set clear targets running up to 2020 that put people at the heart of the digital transformation. These include subjects such as data protection, information security, digital inclusion and supporting sustainable innovations. For a number of years, we have been specifically committed to giving young people and the elderly access to and skills for an increasingly digital world. We are advancing technologies to simplify linking up people, devices and machines in the private and industrial world and supporting our customers in the realisation of new digital products and business models.





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In the course of this, we are rigorously committed to helping customers maintain control of their data and confidentially shape their digital life. From the analysis of anonymised mobile-communication data, we calculate, for instance, flows of movement, which provide us with valuable environmental and traffic insights. This information is intended to be our contribution to social innovation. Our internally developed data anonymisation platform (DAP) guarantees protection of the data at the same time. Simultaneously, we go beyond legal requirements and enable customers to opt out of their anonymised data being analysed.

We are also using the potentials of digitalisation in the area of the environment. This is the dawn of a new age of intelligent energy supply and generation. A tailor-made electricity supply based on renewables will create new opportunities and models for the market. This is based on what are known as grids – intelligent networks connected to modern communication and information technology such as M2M solutions. We will make use of the opportunities that result from these and offer our customers solutions for environmentally friendly innovations.

What is more, we play an active role in the public discourse on the social and ethical aspects of digitalisation, for instance at Telefónica BASECAMP as a digital hotspot and discussion hub in Berlin. In 2018 we were able to contribute our many years of experience in the area of digital responsibility among others within the framework of the Corporate Digital Responsibility Initiative (CDR Initiative) by the Bundesministerium der Justiz und für Verbraucherschutz (Federal Ministry of Justice and Consumer Protection (BMJV)) together with Dr Katarina Barley and other companies. As a member of the CDR Initiative, the Telefónica Deutschland Group supports designing digitalisation to be people- and value-based.

*“People must always remain the highest ethical authority. That is because digitalisation is for the people – and not the other way round.”*

In all undertakings, it is especially important to the Telefónica Deutschland Group that digitalisation is shaped in the interests of people: people must always remain the highest ethical authority. That is because digitalisation is for the people – and not the other way round. This particularly applies with regard to new business opportunities that arise from digitalisation. We will therefore continue to participate with courage, passion, powerful arguments and a clear goal in the debate on corporate digital responsibility.

Continue to accompany us on this path and let us shape responsible digitalisation together!

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

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





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# From AI to IoT: technologies of the digital transformation

Digitalisation is progressing at a tremendous pace – as are the associated changes. All over the world, in the course of digitalisation, not only are technological innovations being implemented but the economy and society are also being changed fundamentally. The digital transformation is focused on various aspects of life, from new business and working models to learning, leisure time and democratic participation. As a telecommunications company, the Telefónica Deutschland Group is at the heart of the digital transformation. That is because we not only facilitate digital apps but also use algorithms and artificial intelligence (AI) ourselves. We are continually developing new business models and expanding existing ones. We are implementing digitalisation throughout our company and want to make use of the potentials afforded by digitalisation to the fullest extent possible. **People are at the heart of everything** that we do.

That is why it is above all important that all social groups, especially decision makers in politics and business, too, have a good look at both the opportunities and the risks this epochal change brings. We are facing the important task of developing and making use of new digital opportunities for society and the economy while minimising the risks. This is a task that needs to be shaped by society as a whole.



## Big data: bringing about benefits with data

Today's technological developments facilitate the generation and storage of huge data volumes. This is among other things related to the falling cost for storing and processing data, ultra-fast, high-performance and ultra-broadband connections and the increase in sensors used in areas from consumer goods to industrial processes.

Big data stands for the collection and processing of huge data volumes. Algorithms help to find information by gathering and combining many data that are different, complex and partly difficult to understand.

Big data help in developing new business models, product ideas and services. The Telefónica Deutschland Group is focusing on the benefits to the economy and society of analysing large volumes of data. The potentials range from optimising urban traffic to improvements in medical diagnosis and coping with humanitarian catastrophes. We make use of such potentials, for example in our business area Advanced Data Analytics (ADA).





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### AI: a new analytical broader view

The aim of using AI is to imitate humanlike behaviour in order to deal with problems independently and in an automated way. The application areas for AI are very varied.

In contrast to pure data analysis, AI can react intelligently, learn independently and project solutions to future problems. The aim is for computers to learn automatically without human input. Cognitive systems for driving, for example, are designed to interpret traffic situations in the same way that human drivers would.

One aspect of AI is called "deep learning": existing information is integrated with new contents in order to learn further, develop a prognosis, make decisions and question such decisions – humans are not required. This could lead to advantages in areas such as medicine, healthcare, safety, law enforcement, education and environmental protection. At the Telefónica Deutschland Group, we are already using AI, for example our digital assistant Aura and for the optimisation of our mobile network.



### IoT: for today's networked world

Network-compatible devices that connect everything and everyone digitally with each other are used everywhere nowadays. Everyday objects and machines communicate with one another through the Internet as if it were the most natural thing in the world. According to analysis by Gartner, by 2020 there will be over 20 billion devices around the world connected with each other within the framework of the Internet of Things (IoT).

Even small devices have sensors and network technology and manage to largely organise their cooperation independently: from the fridge that orders food to autonomous cars and complete production and supply chains that manage themselves.

Great potential exists here for many business processes, particularly in terms of higher efficiency.

In the course of this, varied use scenarios are conceivable for IoT, for example networked production, logistics, quality assurance and fleet and building management.

IoT is therefore a particularly relevant digital growth area for the Telefónica Deutschland Group as well. A central factor in the process is the transmission technology that allows the machines and objects to first network and communicate with each other. You can find an overall view of our IoT applications [here](#).

### 5G: the next generation of mobile communication

Fast data connections are increasingly becoming the lifelines of the economy, society and consumers. At the same time, functioning high-speed mobile-communication connections constitute key economic technologies, for example the future mobile-communication standard 5G. Thanks to increased transfer rates and reduced latency periods, 5G can open completely new fields of application, thereby providing the foundation for new business models in areas such as autonomous driving, virtual reality and the IoT.

The regular launch of 5G in Germany depends not only on the procedure for allocating frequency use rights but also on mass availability of system technology and end devices – experts do not expect the market launch to happen before 2020. The Telefónica Deutschland Group is already preparing intensively for the launch, for example, through pilot projects and linking our network sites via fibre optics. Simultaneously, the Telefónica Deutschland Group is investing massively in the expansion of 4G and is this year pursuing the mission with about 10,000 LTE upgrades that will push the achievement of full LTE network coverage in the countryside and further consolidate coverage in towns and cities.





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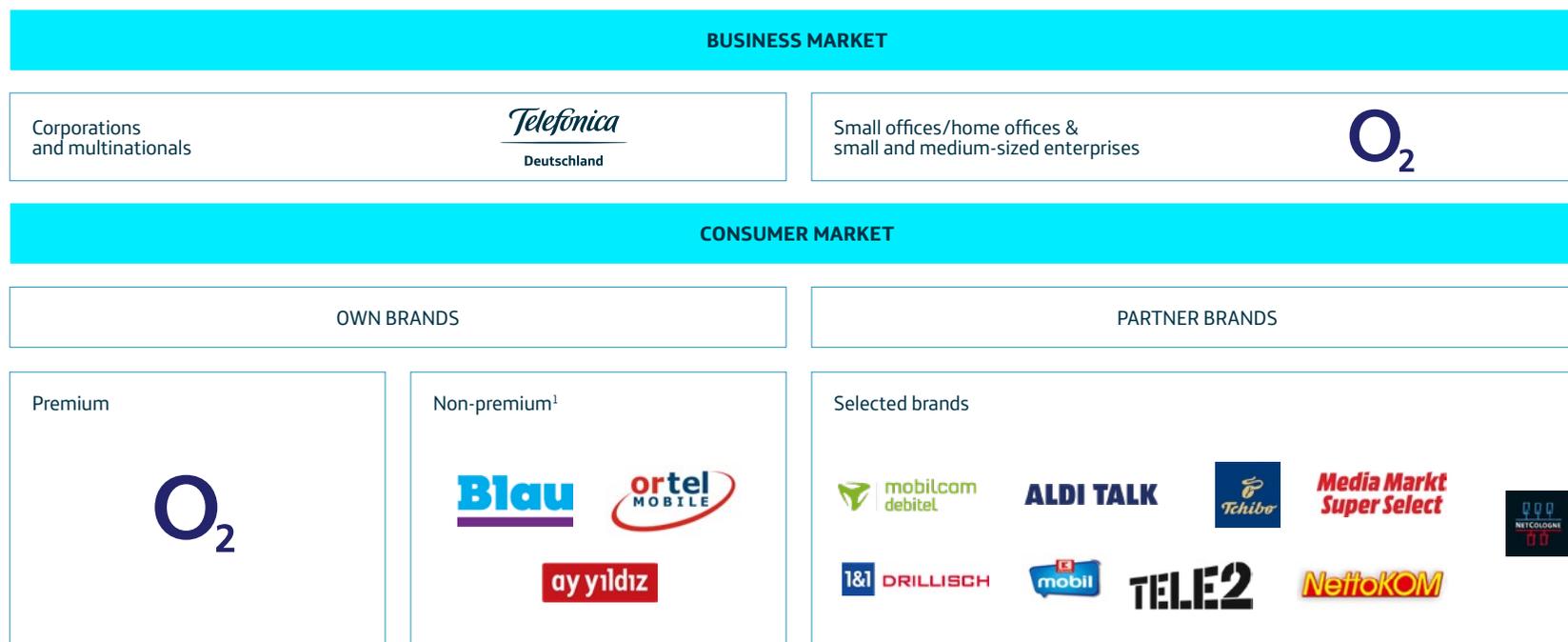
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# Portrait of the Company

With 47.1 million customer accesses as of 31 December 2018, Telefónica Deutschland Group is one of the three leading integrated network operators in Germany. We offer mobile and fixed services for private and business customers as well as innovative digital products and services in the area of IoT (Internet of Things) Advanced Data Analytics. In addition, our numerous wholesale partners purchase extensive mobile communications services from us.

In the mobile sector, we serve the increasing demand for mobile services as a consequence of the digitalisation of ever more areas of life. We are the only telecommunications provider with mobile communications network of its own that concentrates exclusively on Germany – Europe’s most attractive mobile communications market. With a total of 42.8 million mobile accesses as of 31 December 2018, we are leading provider in this market. We have a

direct customer relationship with more than 80% of our mobile customers. In addition, we have already acquired 4.3 million fixed-line customers for our telephony and high-speed internet products. We are part of Telefónica, S.A. Group, one of the biggest telecommunications companies in the world.



The Telefónica Deutschland Group's business model is described in detail in the "Basic Information on the Group" section of the Combined Management Report 2018.

<sup>1</sup>Selection





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## Consistent multi-brand strategy for the customer

A key success factor of our marketing and sales approach is our consistent and focused multi-brand strategy. We offer private and business customers a wide range of high-quality mobile services and fixed line products with our core brand, O<sub>2</sub>. Large international businesses are addressed through the Telefónica brand. With our secondary and partner brands and through our wholesale channels, we reach further large groups of customers that we do not target with our O<sub>2</sub> brand. In addition, by means of joint activities and strategic partnerships, we offer further mobile-services brands. These include, for example, TCHIBO mobil or ALDI TALK, in cooperation with MEDIONmobile. Our multi-brand approach enables us to address the whole spectrum of customers with tailored product offerings, sales and marketing, thereby increasing our potential revenue.

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

as indirect sales channels such as partnerships and cooperations with retailers via physical and online channels.

## Mobile-communication services the focus

The Telefónica Deutschland Group generated combined revenues of EUR 7.3 billion in the financial year 2018 (2017: EUR 7.3 billion) and had 8,868 employees (2017: 8,665 employees).

In 2018, at EUR 5,267 million, mobile services were the most important revenue stream for the Telefónica Deutschland Group (72% of total volume). In this area, we offer private and business customers mobile voice and data services both on a contractual basis (postpaid) and in the prepaid segment.

The basis for this is our state-of-the-art mobile communications network. By the end of 2018 we had largely completed the merger of the O<sub>2</sub> and E-Plus networks, which will allow our customers to benefit from the strength of the new joint network. The combined UMTS/LTE coverage for mobile Internet is approximately 95%. The Telefónica Deutschland

Group has also consistently continued the expansion of its LTE network. As of the end of December 2018 the company had achieved, the Company achieved a Germany-wide LTE coverage rate of 88%. We thus provide a high-quality network experience particularly in urban and suburban areas.

## The current company structure

The Telefónica Deutschland Group belongs to the Telefónica, S.A. Group with its headquarters in Madrid – one of the world's biggest telecommunications companies. The parent company Telefónica Deutschland Holding AG has its registered office in Munich and has been listed on the Frankfurt Stock Exchange since 2012 and included in the MDAX since 24 September 2018 and the TecDAX since 2013. Among others, the wholly owned subsidiary Telefónica Germany GmbH & Co. OHG operates under the umbrella of this company. Telefónica Germany NEXT GmbH in Berlin is another subsidiary and focuses on the areas of ADA and IoT.





# Managing Corporate Responsibility

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# Our vision: to become “Mobile Customer & Digital Champion”

The customer is our focus. Even today, we connect more people in mobile communications than any other network operator in Germany. We have a direct customer relationship with more than 80 per cent of our customers. Our customers are therefore our greatest potential for new growth.

Once the integration has been completed, we will therefore place customer benefit at the heart of our activities more consistently than ever before. To this end, we have defined a clear vision: “We want to become ‘Mobile Customer & Digital Champion’.” This means: we want to be the preferred partner for mobile customers in the German market.

## Ease, speed and performance are decisive

To achieve this, we are making our customers' lives easier and better and giving them mobile freedom in the digital world. We want to offer our customers a consistently positive experience with our brand, products, customer service and network. The daily user experience at the Telefónica Deutschland Group should impress our customers in terms of ease, speed and performance.

We want to know our customers' wishes and needs even better, respond to them in real time and develop suitable products and services. To this end, we will set the benchmark in the market with our multi-brand

and multi-channel sales approach. On the other hand, we are increasingly using digital interaction with our customers, because we see ourselves as pioneers of digitalisation. We attach great importance to the fact that our customers can shape their digital lives in a self-determined way.

## Our strategic priorities

In order to realise our vision of becoming “Mobile Customer & Digital Champion”, we defined three strategic priorities last year: foundation, customer experience & digitalisation and growth & profitability.

They will determine our actions in the coming years. First, we will strengthen the foundation: outstanding customer service, stable IT systems, a powerful organisation and an appropriate regulatory framework are the basis for a positive user experience and future growth.

Our second priority is to improve the customer experience in the digital age. This starts with providing a better, faster and more efficient network that meets the needs of its users in every situation.

Building on this, we offer a convincing range of products and services that are tailored to the customer's day-to-day digital life. Finally, we are digitalising our company comprehensively in order to further improve the customer experience. That is why

we have set up our D4G transformation programme. This makes us easier, faster and better for our customers.

- Easier by making interaction more intuitive for our customers and enabling a consistent experience across our channels
- Faster by responding to customer needs and market changes in real time
- Better, by enabling a positive customer experience across all our channels and building data-based growth areas

Through the successful implementation of our first two priorities, we reach the third priority: by making our customer experience stand out, we create the conditions for growth and profitability.

In the past year, we already made significant progress on these priorities, which are set out in more detail in the following.





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## A clear path to the goal: #RECONNECT

Through the successful implementation of our first two priorities, we reach the third priority: by making our customer experience stand out, we create the conditions for growth and profitability.

In the past year, we already made significant progress on these priorities, which will be set out in more detail below. Our path to becoming "Mobile Customer & Digital Champion" is being specified by the Telefónica Group's global strategy programme: #RECONNECT. It also focuses on our customers and the connection between people and technology. The building blocks of this programme help us to achieve our growth ambitions. #RECONNECT is Telefónica Group's formula for growth (G):  $G = R^4 \times M$ .

In the course of this, the parameters R and M are defined as follows:

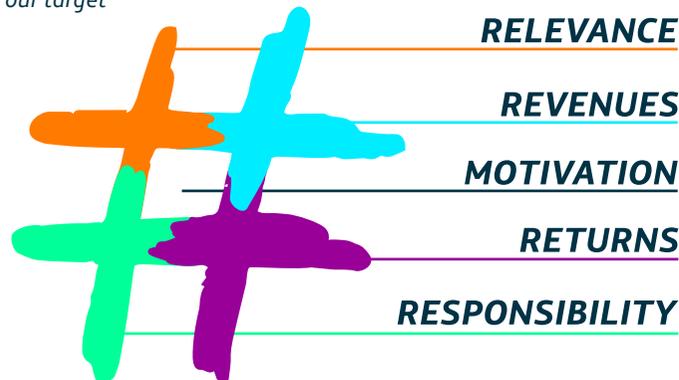
- **RELEVANCE**: we provide the best digital experience for our customers, made possible by easy-to-use, user-friendly and customised technologies.
- **REVENUES** – sales: we provide the best digital experience for our customers, made possible by easy-to-use, user-friendly and customised technologies.
- **RETURNS**: we rely on smart and efficient investments that meet the needs of our customers.
- **RESPONSIBILITY** – awareness: we grow responsibly, play a bold role in shaping regulation and create value for society as a whole.

The predominant factor in all of this is **MOTIVATION**: it is the key to all success and thus functions in the formula as a multiplier of the four Rs. It stands for a growth mentality, a powerful agile organisation and committed employees.

### GROWTH STRATEGY UNTIL 2022

## #RECONNECT

*Our clear plan to meet our target*



**"MOBILE  
CUSTOMER &  
DIGITAL  
CHAMPION"  
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# Comprehensive CR strategy serves as a compass

Taking on responsibility is part of the Telefónica Deutschland Group's self-image. Our declared goal is to contribute to solving societal challenges with the help of digital technologies and to promote sustainable development. For us, responsible corporate governance involves keeping an eye on the impacts that all of our business activities have on people and the environment. Our CR strategy aims to anchor responsible corporate governance along the entire value chain and across all management levels. We are constantly developing this strategy in order to meet the rising expectations of our stakeholders, stricter external regulation and our own demands as a company that conducts itself responsibly.

## Responsible Business Plan focuses on three key areas

In 2015 the Telefónica Deutschland Group developed a holistic CR strategy that takes into account the business-strategic focus as well as the expectations of our stakeholders. This CR strategy is based on the results of a materiality analysis. The analysis included a stakeholder survey and an evaluation of the impacts of our actions and the relevance to business of potentially pertinent issues. This provided 25 material topics for the Telefónica Deutschland Group, which were transferred into a matrix. Subsequently, the three

key CR areas "Responsible business", "Strengthening life in the digital world" and "Environmental and climate protection" were determined. We developed our Responsible Business Plan 2020 based on this in 2016 to manage our commitment to sustainability. In the plan, CR issues relevant to the key areas were defined along the value chain and respective overarching targets for 2020 were developed. We presented the Responsible Business Plan 2020 in detail in the [CR Report 2016](#).

## Regular review and integration of new requirements

The CR strategy is verified annually with regard to the relevant topics that were determined through the materiality analysis. All involved departments are integrated in workshops and the latest developments are enquired about. Current industry activities and studies are also evaluated in order to fully examine the relevant topics. This allows changes to be identified with regard to impacts of the Telefónica Deutschland Group as well as the relevance for our stakeholders and to our business operations. The results of this examination are integrated into our strategy process. You can find more details about how material issues were determined in chapters [6.1](#) and [6.2](#).

## Integrating non-financial risks into risk management

We aim to achieve positive impacts on individual aspects and minimise negative consequences as fully as possible. The risks associated with the material issues are the focus for the Telefónica Deutschland Group. One of the tasks that our management concepts deal with is how to reduce these risks as effectively as possible.

Against the background of the CSR Directive Implementation Act (CSR-RUG), the material risks in the view of the Group for the 2018 financial year were analysed with regard to the relevant issues for the Non-Financial Report. This was followed by an assessment of the risk scenarios in terms of their probability of occurrence and their potential to have a detrimental impact regarding the defined non-financial subjects. Through this approach, we only discovered potential material risks in accordance with CSR-RUG for the area of customer satisfaction. We have put comprehensive measures in place to respond to these risks (see [chapter "Customer Satisfaction"](#)). The detailed methodology for this risk assessment is presented in chapter [6.1 "Materiality according to CSR-RUG"](#).





## Detailed reporting

Our strategy process not only takes into account stakeholder expectations but also impacts on society and the relevance to business. We derive our focal points for the CR reporting here. Reporting in accordance with the GRI Standards examines above all the stakeholders' perspective and our societal impacts. [Chapter 6.2](#) shows a GRI materiality matrix that includes both approaches. The derivation focusing

on impacts and business relevance with regard to reporting in accordance with CSR-RUG can be found in [chapter 6.1](#). We rated the aspect of human rights as not material for the purposes of CSR-RUG. We nevertheless support the Nationaler Aktionsplan Wirtschaft und Menschenrechte (National Action Plan for Business and Human Rights (NAP)) and report in the context of this report on our human rights due diligence. You can find more details on our CR subjects from a human rights perspective in [chapter 6.3](#). With

the implementation of our Responsible Business Plan 2020, we are likewise actively supporting the achievement of the UN's Sustainable Development Goals (SDGs). [Chapter 6.4](#) shows the relation of the contributions we make to the SDGs within the Responsible Business Plan 2020 areas of action. The Responsible Business Plan 2020 status quo can be found in [chapter 6.5](#).

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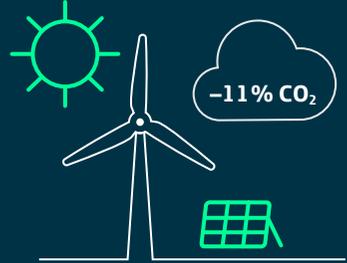
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## Telefónica's Responsible Business Plan 2020

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





# Corporate digital responsibility: digitalisation is there for the people

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The Telefónica Deutschland Group is playing an active and key role in shaping the digital transformation. In the course of this, we not only facilitate the use of digital apps but also use algorithms and AI ourselves. Our mission is as “Mobile Customer & Digital Champion” to be a pioneer and differentiate ourselves from the competition in this area. We make use of the digital transformation in developing our business models and our organisational structure. We would like to make use of the potentials that digitalisation provides to the fullest extent possible.

This is also where we derive our responsibilities in the digital world. We have established these clearly and measurably in our Responsible Business Plan 2020. In the course of this, the critical area “Strengthening life in the digital world” shows how important the assumption of digital responsibility already is for us today. We want to help shape the digital transformation in the fields of sustainable innovations, data protection and digital inclusion, which create added value for people and put people at the heart of the transformation. We have therefore set ourselves clear targets. In two other

important areas, too, namely “Responsible business” and “Environmental and climate protection”, the influence of the digital transformation is mounting and we are making use of the opportunities for sustainable development. In this CR Report, we present examples of our initiatives from all nine fields of action from our Responsible Business Plan 2020 that we are currently working on in order to responsibly shape digitalisation along the value chain.

The concept of CDR is becoming increasingly important. The social and scientific discussions on CDR are still in their infancy. For the Telefónica Deutschland Group, it is important that we participate in this public discourse and contribute our understanding, experience and initiatives.

The consequences of the digital transformation on the environment and society and the changes in our stakeholders' requirements are the focal point of our corporate responsibility strategy. Shaping digitalisation responsibly is the prerequisite for creating trust in society for the digital transformation.

## Responsibility in the digital world

We have made it our task to shape digitalisation together with different stakeholders for the people. In this CR Report, we use examples to illustrate how we are trustworthily implementing digitalisation along the value chain in all nine spheres of activity of our Responsible Business Plan 2020.





# Corporate digital responsibility

## for people

At the Telefónica Deutschland Group, we are guided by the principle that people must always remain the highest ethical authority. That is because digitalisation is for the people – and not the other way round.



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#### DIGITAL INCLUSION

We stand up for making sure all people have access to the opportunities offered by digitalisation.



#### DATA PROTECTION AND TRANSPARENCY

We are committed to helping customers maintain control of their data and confidently shape their digital life.



#### TAKING ON RESPONSIBILITY

Shaping the digital transformation responsibly is one of our main concerns – for the benefit of our customers, our company, our employees and society.



#### SUSTAINABLE INNOVATIONS

We want to use digital technologies to press ahead with the sustainable development of our company and the economy.



#### STRENGTHENING LIFE IN THE DIGITAL WORLD

With products like our data anonymisation platform, guidelines like our ethical principles for artificial intelligence and our support programmes for digital inclusion, we shape digitalisation for the people.

#### NEW DIGITAL PACT

Only through comprehensive modernisation of social, economic and democratic institutions can digitalisation be a success for everybody. In our DIGITAL MANIFESTO, we thus explicitly support a “new digital pact”.





# CR strategy guided by three focal points

The Telefónica Deutschland Group's Corporate Responsibility department develops the CR strategy in line with the German corporate strategy and the global CR strategy of the Telefónica, S.A. Group. The CR strategy is approved by the Management Board once it has been reviewed. The CR department manages activities universally for all departments and company locations in accordance with the three CR strategy focal areas "Responsible business", "Strengthening life in the digital world" and "Environmental and climate protection". It also monitors achievement of the CR goals and plans new measures together with the departments. The CR department is assigned to the Management Board division Legal and Corporate Affairs of Telefónica Deutschland Holding AG. The Director Public Affairs functions as the interface between the CR department and the Management Board.

The Supervisory Board is integrated into the creation of the Non-Financial Report for the fulfilment of the CSR-RUG requirements. The material topics for the Non-Financial Report are agreed and cleared during the Supervisory Board meetings.

## In dialogue with our stakeholders

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

## Performance indicators substantiate target attainment level

The CR targets are established together with the departments annually and cleared by the Telefónica Deutschland Group Management Board, the highest management level. The target attainment level is reviewed and tracked by the Management Board every six months. The targets are integrated into the management processes via meaningful key performance indicators (KPIs). Clear commitments have been established for each of the nine CR issues in the Responsible Business Plan 2020. These can only be altered through a Management Board decision. The extent to which the CR targets have been attained is regularly reviewed together with the senior management of the departments involved. In addition, an independent accounting firm annually audits the non-financial key figures published in the CR Report. The intermediate status of the implementation of our Responsible Business Plan 2020 in 2018 and our targets for 2019 are shown in [chapter 6.5](#).

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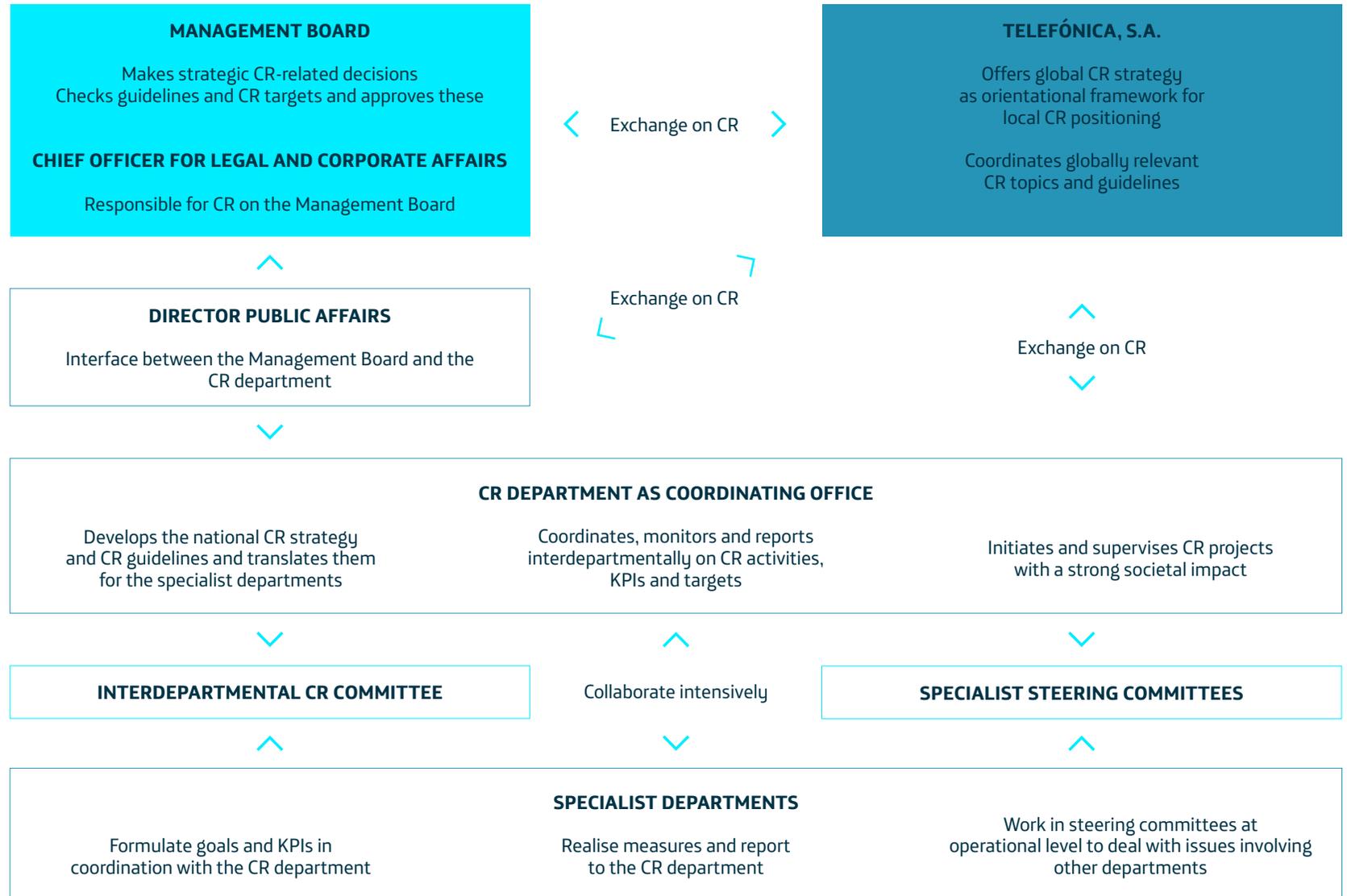
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CR MANAGEMENT IN THE TELEFÓNICA DEUTSCHLAND GROUP





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# Shaping digitalisation together with stakeholders

The Telefónica Deutschland Group has set itself the goal of enriching people's digital lives with innovative offerings. We aim to be a fair and trustworthy partner for our stakeholders and want to find out more about their needs. In the process, transparent exchange of information and dialogue with our different stakeholders, such as customers, employees and suppliers, are vital. At the same time, it is important that we recognise the impact of our actions in order to develop further our business model with the focus on the societal benefits. The chart on page 23 shows the ways in which our stakeholders can communicate their interests to us and the levels at which we engage in dialogue with them.

In 2018 we used this framework to deal with the digital present and future. This included the **Data Debates** event series held with our cooperative partner the newspaper Der Tagesspiegel, which, together with a dedicated website, contributes to the discussion within society regarding smart data usage. The potential offered by and the risks relating to the newly created data pool are discussed regularly together with panel guests, an audience and the online community. In the past year, for instance, FDP politician Nicola Beer and Prof. Niels Pinkwart dealt with questions concerning vocational education and training in the age of digitalisation and "Work 4.0".

## Advancing dialogue on digitalisation

The Telefónica Deutschland Group is proactively committed to the debate about people- and value-based digitalisation and the future of digital life. We use the Telefónica BASECAMP, opened in Berlin in 2011, as the centre of this debate. During event series such as Data Debates, Digital Masterminds, future work or UdL Digital Talk, the trends, opportunities and challenges of digitalisation are discussed with influencers, entrepreneurs, start-ups, consumers, politicians, scientists and first and foremost interested citizens.





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Entrepreneurs, developers and interested parties meet at our fortnightly **IoT brunch**, which was launched back in 2017, to discuss the subject of the Internet of Things. Participants are able to get to know trends, demos and speakers from IoT companies and share their experiences in workshops. The focus areas in 2018 were, for example, the General Data Protection Regulation (GDPR), the different strategies (B2B vs B2C) of start-ups and a feature with the title “How the Internet of Things is revolutionising health and old-age care”.



The **UdL Digital Talk** political panel discussion platform, which has now been running for nine years, once again brought people from the fields of politics, business and digital life together in 2018. According to the motto “More vision in politics and the economy”, SPD politician Lars Klingbeil and Laura Esnaola, CEO of care.com Europe, met in the past year to discuss the digital-political challenges that exist and possible approaches to solutions. The focal point of this discussion was the question of what the political and economic worlds could learn from one another in order for digitalisation to progress more quickly in Germany. We discussed the mobility transition with the Federal Minister of Transport and Digital Infrastructure and CSU politician Andreas Scheuer and Daniel Wiegand, founder and CEO of the aviation start-up Lilium.



On 8 June 2018 a debate was held with leading innovators at the Telefónica **BASECAMP** with the title “Europe – USA – China: Shaping the digital economy – The global race for future technologies”. During the debate, it became clear that Germany and Europe are facing great challenges, while the USA continues to play a leading role and China is producing more and more innovations by itself. The discussion covered the quality of digital infrastructure, the focus of the education system, the peculiarities of legal systems and cultural preferences. All of these are decisively influencing the development leaps currently being experienced.

With **Politics Untapped**, the Telefónica Deutschland Group launched a new event series in 2018 with prominent personalities from politics, industry and and the start-up world. At the launch event on 5 September 2018, which took place at the Telefónica Deutschland Group start-up accelerator Wayra in Munich, politicians, a female member of the Telefónica Deutschland Group’s Management Board and a start-up founder exchanged their views on the new working world and discussed the socially relevant topic of how we will work in future and what will be important in the course of this.





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## Studies and surveys provide valuable impulses

In order to better understand social challenges and take them into account in our everyday work, the Telefónica Deutschland Group has initiated and is supporting various studies and surveys. In the past year, this included the “Internet of Things 2018” study, which was based on an online survey of (IT) professionals in positions of responsibility in the DACH countries. The study showed that 78% of all companies in Germany, Austria and Switzerland anticipate that IoT will be important to very important in the coming three years. With its diverse offering in Germany, the Telefónica Deutschland Group is already a pioneer in the IoT field. IDG Research Services presented the results of the “Internet of Things 2019” study in November. This investigation supported by the Telefónica Deutschland Group dealt with all IoT developments in the business environment. The study clearly showed that not only was the general relevance of IoT increasing but that it was already an issue in German companies. This is substantiated first and foremost by the rising number of IoT projects in companies – increasingly also in small and medium-sized enterprises. The Telefónica Deutschland Group works with solutions such as the Telefónica Deutschland Group Kite platform to support companies in the implementation of digital innovations.

Another study commissioned by the Telefónica Deutschland Group dealt with mobile banking. The representative study verifies that mobile banking is catching up with online banking; 71% use mobile banking while 75% use online banking. We have been offering a comprehensive mobile banking solution, O<sub>2</sub> Banking, for over two years now, thereby responding to the current trend.

### STAKEHOLDER ENGAGEMENT IN THE DIGITAL WORLD

## Telefónica involved in CDR Initiative

How does digitalisation influence our lives? One thing is clear: it is changing society, the economy and our lives considerably. Digitalisation must therefore be shaped responsibly and fairly by politicians and companies but it must also be done together and there must be negotiations with the users. In May 2018 the BMJV launched the CDR Initiative. The aim of the initiative is to create positive responsible behaviour and approaches to find concrete solutions for sustainable digitalisation. In addition, it aims to increase awareness of the topic amongst the public and in the corporate world. In October 2018 the Federal Minister of Justice and Consumer Protection, Dr Katarina Barley, presented the first working results of the CDR concept with board members of the participating companies. More results are due to be presented in spring 2019.

Telefónica promotes value-oriented digitalisation designed to benefit people and was therefore invited to participate in this event as one of the six founding members of the CDR Initiative.

*“We are very pleased to be entering into dialogue as part of the CDR Initiative with stakeholders from society, politics and business and making an active contribution to responsible digitalisation.”*

*Valentina Daiber, Chief Officer for Legal and Corporate Affairs at Telefónica*





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TELEFÓNICA IN DIALOGUE WITH ITS STAKEHOLDERS

**LOCAL AUTHORITIES**

Cooperation as part of the network expansion

Consensus finding on locations

Joint pilot projects on infrastructure measures

**EXTERNAL INITIATIVES**

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

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

“Wirtschaft macht Klimaschutz” (Economy Does Climate Protection) dialogue forum

Partnership with the Global Digital Women initiative

**CUSTOMERS**

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

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

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

**INFLUENCERS FROM DIGITAL INDUSTRY, BUSINESS AND SCIENCE**

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

**SECURITY AUTHORITIES**

Cooperation with judicial and security authorities in accordance with legal requirements



Deutschland

**SUPPLIERS AND BUSINESS PARTNERS**

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

Genuine feedback culture

**POLITICAL AND ADMINISTRATIVE SPHERES, BUSINESS AND ASSOCIATIONS**

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

Regular events relating to current political issues

The Telefónica Deutschland Group's UdL Digital Blog

Membership of relevant associations

**SHAREHOLDERS**

Annual General Meeting

Reporting on the quarter and financial year

Capital market stakeholder management

non-financial Report and CR Report

Sustainability ratings

**EMPLOYEES**

Annual employee survey

Works council meeting

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

DigitalBrain intranet tool

Comments function for employees on the intranet

**NGOs**

Partnerships and knowledge exchange via programmes such as Think Big (together with Deutsche Kinder- und Jugendstiftung gGmbH (German Children and Youth Foundation (DKJS))), “Digital mobil im Alter – Tablets für Senioren” (Digitally Mobile in Old Age – Tablets for Senior Citizens) (together with Stiftung Digitale Chancen (Digital Opportunities Foundation) and mobile-phone recycling (together with not-for-profit Arbeit für Menschen mit Behinderung (Work for People with a Disability (AfB)) as well as Naturschutzbund Deutschland e.V. (Nature And Biodiversity Conservation Union (NABU))

Dialogue with NGOs on specialist and social subjects (Bundesdeutscher Arbeitskreis für Umweltbewusstes Management e.V. (German Association of Environmental Management (B.A.U.M.))), NABU, South Pole, Umweltbundesamt (German Environment Agency (UBA)), e.g. for Blauer Engel (Blue Angel), study support/participation, e.g. with Deutsche Umwelthilfe e.V. (Environmental Action Germany (DUH)) or Germanwatch e.V.)





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# Customer satisfaction as the foundation for corporate success

## Commitment

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

### BASIC PRINCIPLE

#### The focus is on the customer

Advancing digitalisation is changing all areas of our lives. The spheres of politics and business consider it their responsibility to shape this development advantageously for customers and other people. One core promise is that digitalisation will lead to further growth and prosperity. As a digital telecommunications provider, we want to enable everyone to participate in digital life and use the advantages of digitalisation as it best suits their wishes and habits. For us, this also means people having complete control over deciding how their data is used.

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

Our aspiration is to put at our customers' disposal increasingly appealing, simple self-service offers that suit our customers' habits and needs. Our customers should also always be able to choose the channel of communication that they prefer. We aim to make online customer experiences even better still by further expanding the digitalisation of service formats that we offer.

### PROCESSES & MANAGEMENT

#### Clearly defined key figures to measure customer satisfaction

The Chief Consumer Officer (CCO) of Telefónica Deutschland Holding AG and the Chief Partner and Business Officer (CPBO) of Telefónica Deutschland Holding AG bear overall responsibility for the area of customer satisfaction. The CCO is responsible for the private customer business with a clear focus on the customer experience. The CPBO is responsible for business with partners and corporate customers. Central management of customer satisfaction was also embedded more strongly in the organisation with the creation of the directorate for customer experience & transformation in 2018.

We measure customer satisfaction to the fullest extent permitted at all levels – at market, customer journey and contact level (i.e. directly following customer contact). We hope to derive relevant knowledge and measures from this in order to improve customer satisfaction further. We use the Net Promoter Score (NPS), Customer Satisfaction Index (CSI) and churn rate (excl. M2M) as our central key performance indicators. The churn rate (excl. M2M) is the migration rate of postpaid customers over a certain period of time divided by the total number of customers. The churn rate (postpaid connections excl. M2M) remained nearly stable year-on-year (2017: 1.61%).





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The Net Promoter Score (NPS) verifies customer willingness to recommend a brand. This value reflects the overall satisfaction with the brand as well as products and services. The NPS is determined by our brand's image, network quality, service quality, value for money, the attractiveness of the product and service portfolio and the degree of innovation attributed to the brand. All measures are aimed at improving these drivers. We launched an NPS task force in 2017 in order to continuously improve our NPS. The task force was transferred to a department in 2018 and it was thereby firmly anchored in the organisational structure.

The Customer Satisfaction Index (CSI) is determined through a telephone survey of our company's and competitors' private customers; these are conducted externally. The survey is carried out several times a year according to precisely defined criteria. The difference between the customers' wishes and their perception of the service can be measured through the arithmetic mean in the answers to three questions. The scale ranges from 1, very low customer satisfaction, to 10, very high customer satisfaction. We are aiming to stabilise the 2017 CSI figure of 7.18 and then improve it annually in the long term. We have managed to as planned stabilise the CSI figure and improve it to 7.49 since December 2017.

In order to keep customer satisfaction high, the Telefónica Deutschland Group responds to incoming queries as quickly as possible and according to defined workflows. We use a continuous improvement process to optimise our procedures in order to also improve

the customer experience. We also use among other things automated speech analysis for incoming telephone calls in order to evaluate the reasons for the calls and the wishes of customers faster and to record them systematically. Employees can also note improvement suggestions and customer wishes resulting from discussions with customers and forward them to the Telefónica Deutschland Group. Through this speech analysis as well as via feedback from the operating units, conspicuous fluctuations in contact or voiced customer problems are reported and we use these to derive concrete improvement measures. These are analysed and implemented promptly where possible as part of the continuous improvement process. Conspicuous topics are respectively assigned to a person responsible and tracked via weekly documentation.

The Telefónica Deutschland Group aims to become "Mobile Customer & Digital Champion" by 2022. To achieve this, we have set ourselves ambitious customer satisfaction targets: we intend to offer customer service that enjoys high levels of satisfaction and that is at least on a par with that of the competition. Target achievement is evaluated using internal key figures and external evaluations such as the hotline test in the specialist journal "connect".

We are also improving and expanding our digital offers and aim to provide the customer with uncomplicated customer service round the clock and independent of location. We intend to make 70% of all customer processes available in the self-service area by the end of 2021.

MEASURES

The customer is the focus

The focus of our measures planning is on improving the customer experience. That is why, in addition to optimising the quality of our customer service, we are also aiming to improve contact possibilities by pushing on with digital solutions based on our digital action plan.

The digital action plan includes among other things the continual expansion and development of digital offers in the self-service area, such as our digital assistant Lisa (chatbot for processing customer queries) and Aura (AI for optimising business processes). The pilot phase for Aura began in 2018 and the company-wide introduction is scheduled for 2019. We have also expanded and developed our O<sub>2</sub> DSL Hilfe App (O<sub>2</sub> DSL Help App). This app allows our customers to solve problems with their DSL connection themselves. We are continually analysing opportunities to use new innovative channels as part of our digital measure planning.

To become simpler, faster and better with our customers in mind, we launched our transformation programme Digital4Growth (D4G) in April 2018. The focus of D4G is the customer and their needs and experiences. The method of what is known as customer journey mapping is used to create the most direct contact possible with the customer. Along eleven defined customer processes, we observe the various customer life cycles in detail – that is to say the individual steps that people go through as customers: from general interest to actual purchase to active user. This allows the Telefónica Deutschland Group to initiate improvement measures for customers in a targeted manner. In this context, we have also worked on standardising and simplifying communication throughout the customer relations life cycle. In addition, the bond amongst employees is being strengthened, as this transformation programme brings employees from all areas together to work on joint solutions.

CUSTOMER SATISFACTION	UNIT	2017	2018
Customer Satisfaction Index (CSI)	Index	7.18	7.49
Postpaid churn rate (churn for postpaid connections) excl. M2M	Per cent	1.61	1.65





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PROGRESS IN THE REPORTING YEAR  
**Network expansion advanced consistently**

We have considerably improved the availability of our hotlines in the past year, which has resulted in shorter waiting times, amongst other benefits. The Telefónica Deutschland Group was able to deal with any bottlenecks that emerged by optimising management among other things. We have also introduced more self-service options and innovative tariffs. One example of this is the Connect tariff. This tariff allows our customers to spread their monthly data volume over up to ten mobile devices of their choice at no extra monthly cost and with just one tariff.

We are erecting numerous new LTE stations and increasing existing capacity to provide better network quality for our customers not only in urban areas but also rural ones. This comprehensive expansion of the network means even more customers in more and more places have high-speed Internet access, can stream videos and share images with other people in a matter of seconds. The Telefónica Deutschland Group upgraded more than 6,700 existing locations with further LTE capacity. This means we are increasing the density of the LTE network as planned not only in towns and cities, but also continuing to push on with LTE expansion across the country.

**Important groundwork laid for our customers**

As part of the merger of the E-Plus Group and the Telefónica Deutschland Group, our focus in 2018 was on completing the network integration, network conversion and LTE network expansion. In the course of this, a high priority was to minimise the network restrictions. It is our aim to make the most of the best locations and improve the quality of coverage

using the Telefónica Deutschland Group's new mobile network. We strive for an optimum network infrastructure that systematically delivers customer benefits. With our network measures, we want to offer our customers a fully integrated high-speed network for mobile calls and surfing.

Our private and corporate customers trust in the reliability of our services. They expect network failures to be rectified quickly. By monitoring our network elements comprehensively and continually investing in our network structure, we aim to ensure that the negative impacts on our customers are kept to a minimum. A specialist department is responsible for efficiently monitoring and resolving problems in the mobile telecommunications and fixed line network. It ensures that the impacts of work in the network are kept minimal for the customer, that customer complaints are analysed and that failures are remedied as quickly as possible. The individual specialist departments then optimise internal processes, taking the technical framework conditions into account.

With regard to our network elements, we want to further raise the level of automation in monitoring and resolving problems. We are using a new evaluation tool, to analyse the network and measure its quality. This will allow us to better understand our customers' data use both technically and qualitatively – and in real time and extensively. This way, for example, we will be able to recognise service restrictions or increased capacity demand at a mobile-network location sooner and react correspondingly.

The Telefónica Deutschland Group's fibre optic strategy relies on successful partnerships in order to cover as large an area as possible and accelerate advancement of fibre optic connections for mobile-network locations. In the process, we are working with several alternative telecommunications service

providers as well as other network operators. We have come to an agreement with Deutsche Telekom to connect a total of at least 5,000 Telefónica Deutschland Group mobile-network locations to Telekom's high-performance fibre optic infrastructure over the long term, and our two infrastructure partners NGN FIBER NETWORK KG and GasLINE will provide fibre optics for 1,500 locations each. The Telefónica Deutschland Group is moreover pressing ahead with the mutual use of fibre-optic-based connections at joint or neighbouring mobile-network locations with Vodafone.

The new Telefónica Deutschland Group network is available in an increasing number of towns, cities and regions. This creates the ideal foundation for further network expansion and extensive optimisation work in the coming year, which will further improve network quality. The Telefónica Deutschland Group intends to continue pressing ahead greatly with its LTE expansion in 2019 so that more customers can surf the Internet at high speeds in more locations.





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## Range of products and services expanded further

We have launched a large number of other measures to increase customer satisfaction further. A training project concerned targeted staff development on the subject of increasing customer satisfaction (FSI). The pilot phase is complete and implementation at other locations has already taken place or is being planned. To increase the success rate of technicians' appointments, the Telefónica Deutschland Group is expanding proactive services such as the preactivation call and carrying out further pilot projects. Moreover, we will be implementing a pre-order interface in 2019 in order to make the DSL activation process considerably more customer-friendly.

We have improved the voice quality for calls between mobile phones and landlines by introducing new speech codecs (HD voice and Enhanced Voice Services (EVS)). The 2018 O<sub>2</sub> advertising campaign focused on customers' interests and emotions. We want them to experience the brand consistently and communication at all touchpoints along the customer journey.

With the O<sub>2</sub> brand, customers can use the achievements of digitalisation anywhere and at any time. In the brand communication, we acknowledged this and among other things underpinned it with the "Freedom Season" for activation purposes in the O<sub>2</sub> Live stores. O<sub>2</sub> offers many smart devices for the individual digital freedom of its customers. These can be combined and the data volume can be shared across different devices using the new O<sub>2</sub> Free tariffs with the Connect option.

The O<sub>2</sub> Helpbox installed at selected locations allows users to talk to our customer advisers personally in a video chat and be given advice on the entire array of products. Our O<sub>2</sub> shops and partner shops remain an important contact point for dialogue with our



customers. With our new "store of the future" shop concept, we invite our customers to discover the fascinating opportunities offered by the digital world via live applications in-store. In addition, our O<sub>2</sub> Gurus constitute an integral part of our customer dialogue, serving the customers as important personal advisers as well as assistants for digital life both in the shops and online.

## Mobile freedom for our customers

We are pressing ahead with the expansion of our LTE network in urban areas through additional LTE upgrades. These provide better coverage inside buildings as well as more capacity. LTE was made available to thinly populated areas where it was not

present before. Through the network expansion in these regions, around 108,000 people gained access to LTE per week in 2018. In all 16 federal states, we were also able to connect additional locations to the LTE network for the first time.

In order to improve the user experience in the area of telephony further, we have enabled the two technologies Voice over LTE (VoLTE) and Voice over Wi-Fi (VoWi-Fi) for all customers and partners in the network. That makes the Telefónica Deutschland Group the first network operator in Germany that can in principle offer voice telephony via LTE and Wi-Fi to all customers and partners. Through the use of VoLTE and VoWi-Fi, our customers receive at no additional cost better voice quality for calls and expanded network coverage via LTE and Wi-Fi.





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What is more, we have introduced the speech standard EVS to our LTE mobile-communications network. This means Telefónica Deutschland Group customers can now make calls in the LTE network in full-HD voice quality. With EVS, the audible frequency range is transmitted at up to 16,000 hertz rather than 7,000 hertz as was the case previously, so phone calls are yet again considerably clearer and more natural than they were before. Moreover, disturbing background noises can be cut out better in this way.

The Telefónica Deutschland Group offers its customers mobile freedom – even if there is especially high demand in the face of big events: at many events with correspondingly high visitor numbers, the Telefónica Deutschland Group erects additional mobile-communication installations on special lorries. At recurring big events such as Oktoberfest, a specific analysis is performed each time following the event. Planning for the next year, when additional network capacity will be needed again, begins with the evaluation. Telefónica Deutschland Group customers used a total volume of almost 60 terabytes of data at Oktoberfest in 2018. This new record exceeded the previous year's consumption by about 50%.

Our current landline offerings were also found to be good in 2018: in the landline test of the trade publications PCgo and PC Magazin, the landline network of the Telefónica Deutschland Group (O<sub>2</sub> DSL) impressed with its high speeds, earning it the test rating "good". With a total of 75 points from 100, we were just behind the cable network operators and roughly on a par with the other DSL providers.

#### CUSTOMER SATISFACTION IN THE DIGITAL WORLD

## Mobile freedom in the digital world

Telefónica would like everybody to benefit from the advantages of digitalisation. We can achieve this by making the lives of our customers faster, simpler and better and enabling mobile freedom in the digital world. We want to provide our customers with positive experiences with our brand, products, customer service and network. In 2018 we launched our transformation programme D4G in order to drive forward digitalisation in our company. This is how we intend to bring our vision of becoming "Mobile Customer & Digital Champion" to life.

Telefónica aims to make interaction with customers more intuitive (simpler), react to customer needs and market changes in real time (faster) and provide a uniform positive customer experience across all channels (better) by 2022. D4G is also spurring changes internally: the particular focus for our company is on our processes and how we work together.

*"With our transformation programme Digital4Growth, we want to noticeably improve customer experience in the digital era."*

*Jens Berwig, Director Transformation*





# Compass for responsible conduct

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### Commitment

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

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

Observing statutory requirements, international standards and internal guidelines is a matter of course for us. The Business Principles of the Telefónica Deutschland Group and Telefónica, S.A. Group guide our conduct. Our principles in turn are based on the UN Universal Declaration of Human Rights and the core labour standards of the International Labour Organization (ILO), which we declare our dedicated support for.

Conducting our business in accordance with the principles of efficient, sustainable and transparent corporate governance is a comprehensive demand for the Telefónica Deutschland Group. We comply with the guidelines of the Deutscher Corporate Governance Kodex (German Corporate Governance Code (DCGK)) for this purpose. The Management Board and Supervisory Board of the Telefónica Deutschland Group report on corporate governance within the company in the [Corporate Governance Report](#). The report, the [declaration of compliance](#) with the DCGK specifications and our Management Declaration are published in the Annual Report.





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BASIC PRINCIPLE

## The Telefónica Deutschland Group rejects all forms of corruption

Compliance management is of high importance to the Telefónica Deutschland Group. There is a particular focus on the subject of anti-corruption – this is because incidents of corruption can lead to severe financial damages and considerable damage to reputation. The Telefónica Deutschland Group absolutely rejects all forms of corruption and this is reinforced with its zero-tolerance commitment. We aim to have our compliance management system (CMS) certified externally by 2020.

PROCESSES & MANAGEMENT

### Compliance management that is effective company-wide

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

We do not tolerate corruption whatsoever or any form of bribery or corruptibility whatsoever. Suspected cases are rigorously pursued and, if necessary, penalties are imposed. The main emphases of our CMS include combating corruption and preventing unfair

competition and conflicts of interest. The system's aim is to ensure that cases of corruption can be detected with sufficient certainty and, using suitable measures, prevented to the fullest extent possible.

MEASURES

### Involving all important stakeholders

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

We carry out regular online compliance training courses in order to sensitise our employees to this important issue. This is compulsory for all employees. We continually review our training concept and adapt it respectively to current developments and needs. Our executives on the top management level commit moreover on an annual basis to complying with our Business Principles and anti-corruption guidelines. In addition, there is regular communication on topics relevant to corruption, for example emails and information on the intranet.

We carry out occasion-related and process-accompanying examinations and consultations with regard to potential compliance risks. The Internal Audit department and external auditors regularly audit the CMS as well as our measures for preventing corruption.

Additionally, our staff are surveyed regarding the quality and effectiveness of the CMS.

Our suppliers must sign an anti-corruption declaration. On the basis of a compliance risk assessment, we have moreover examined existing guidelines and processes related to the supply chain and derived measures together with Telefónica Global Services GmbH (TGS) in order to minimise the risks further.

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

PROGRESS

### Important steps taken

We have made it our goal to have the CMS certified externally. We completed the first stage of this in the reporting year.

A material breach of our Business Principles took place in 2018. Suitable measures were taken in response. Suspected cases are rigorously pursued and, if need be, penalties are imposed.

ANTI-CORRUPTION IN NUMBERS	2016	2017	2018
Total number of cases of corruption <sup>1</sup>	0	0	0

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





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## Compliance is just one part of the big picture

Our understanding of integrity goes beyond compliance, for example regarding soft laws and digital human rights. We want to respect and protect human rights along our value chain and have committed in our Business Principles to observing the United Nations' Universal Declaration of Human Rights and

the declarations of the ILO. We reject all forms of child or forced labour and respect the right of employees to belong to a trade union organisation. We stand up for equal opportunities and treating all people as equals irrespective of skin colour, nationality, ethnic origin, religion, gender or sexual orientation. We use our integrated CMS to ensure these principles are upheld.

### COMPLIANCE AT TELEFÓNICA





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Together with our suppliers, we commit ourselves to the protection of human rights in the supply chain. The Supply Chain Sustainability Policy (SCSP) addresses the subject and includes strict guidelines. Detailed information on our commitment to the supply chain can be found in the [chapter "Supplier Management"](#). In addition to our existing measures, we have been working on fulfilling the requirements formulated in the German National Action Plan for Business and Human Rights (NAP) in 2018. We will continue to do this in 2019. We have described our approach in detail in the present CR Report in [chapter 6.3](#).

We are helping to shape social discourse surrounding regulations and laws in the digital age, for example through the [Digital Manifesto](#) (Telefónica, S.A. Group).

#### COMPLIANCE IN THE DIGITAL WORLD

## The focus is on people

We are shaping the digital transformation. The new version of our DIGITAL MANIFESTO is our guiding vision – making the benefits of digitalisation accessible to all. Moreover, one aspect is already clear: this cannot work without the comprehensive modernisation of social, economic and democratic institutions. "We need a new digital pact that will enable everybody to benefit from digitalisation," says CEO Markus Haas. This New Digital Deal is designed to ensure that technology is used to improve the lives of every member of society. This requires a new social contract that results in better and more open cooperation between governments, businesses and civil society. In our opinion, there are five fields of action that will contribute to this, first and foremost digital inclusion. This is already the reality for Telefónica, as many examples show. The first is our "Responsible Business Plan", which defines clear goals for up to 2020 and focuses on people.

*"We need a new digital pact that will enable everybody to benefit from digitalisation."*

Markus Haas, CEO





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# Employees at the centre of the digital transformation

## Commitment

In the years leading up to 2020 we will position ourselves internally and externally as an attractive employer and achieve generally good to very good results in our employee surveys.

### BASIC PRINCIPLE

#### Target: high levels of employer attractiveness

The dedication and professional qualification of our employees is fundamental to the Telefónica Deutschland Group's success. Only with their help can the company's digital transformation succeed and sustainable economic success be brought about with it.

Digitalisation is posing new challenges for us. However, it also presents enormous opportunities for us, which we intend to make the most of. This means being ready to react rapidly to changes and remaining flexible yet efficient. It is our responsibility to equip our organisation to deal with this transformation and make our employees agents of this change, thereby meeting the challenges posed to our structures, processes and working methods.

We completed the company integration in 2017 so that we can now focus our full attention on the transformation. We have laid the initial groundwork for this in 2018 by focusing on the issues of learning; cooperation and new ways of working; participation; and leadership development within the framework of our HR strategy. How we all work in future – particularly together – and develop our skills is vital to the success of our company and every individual in the digital world. A superordinate target of the Telefónica Deutschland Group is to position itself both internally and externally as an attractive employer against the background of this transformation.

### PROCESSES & MANAGEMENT

#### Systematic processes to achieve targets

In order to gauge the commitment of our employees and the general work atmosphere, we conduct annual Telefónica Deutschland Group employee satisfaction surveys online that can be completed anonymously and voluntarily by any of our employees. All employees are asked to provide open and honest feedback so that the organisation as a whole and individual areas can steadily develop and improve. We have set ourselves the target of achieving good to very good results in the regular employee surveys and raising the response rate to 70%. For that, the employee survey will be announced by the Management Board through various communication channels. The results we obtain from the survey are communicated at all management levels in workshops and discussed intensively. What matters to us most here is analysing the results critically. This is because the executives of all divisions are responsible for planning the measures derived from the results. Employee satisfaction (result for Employee Engagement Index) increased by seven percentage points against 2017 to 74% in 2018. The employee survey response rate stood at 71%, an increase of three percentage points compared with last year.





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The Telefónica Deutschland Group's attractiveness as an employer is ultimately determined by means of the number of external applicants. Last year, 7.7 people (2017: 11.9) applied for each vacancy advertised in our company. The decline is primarily due to the reduction in employer branding measures compared to the previous year.

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

MEASURES

Priorities in HR work

To lay the foundations for the Telefónica Deutschland Group's successful digital transformation, we have focused on four important topics within the framework of our HR strategy in 2018:

**Continuous and self-managed learning**

Lifelong learning is indispensable. We consistently need new skills in order to shape the digital transformation, keep one step ahead of the competition and stay attractive as individuals on the labour market. The Telefónica Deutschland Group encourages continuous and self-determined learning

in analogue and digital form. This allows employees to integrate learning into their everyday work and into their self-image and continue to develop in a manner that is appropriate and steady. What we learn should help us to become more efficient as well.

In addition to digital learning tools, the Telefónica Deutschland Group has also introduced a feedback architecture with initiatives at the individual, team and organisation levels as an important component of the learning process.

**Participation**

The Telefónica Deutschland Group promotes an environment in which employees can work to their full potential, adapt to changes quickly and actively participate. For that, we encourage dialogue and exchange with each other with the aim of integrating relevant stakeholders in good time and boosting the motivation to shape the future together.

Regular formats support transparent communication and continuous exchange between the Management Board and employees – this includes, for example, the "Vorstand im Dialog" (Management Board in Dialogue) event. Large-group workshop formats with 300 employees and regular exchange formats with executives were also initiated in 2018 and boost the integration of our employees into the transformation.

The works council is also closely involved in all measures. We work together as partners with a high level of co-determination. This is why we among other measures distributed invitations for a kick-off event with the title "Shaping the digital transformation together". About 150 works councils from all locations took part in this. Informal exchange with the bodies also takes place regularly.

**New ways of working**

We want to create the best solutions for our customers, going beyond team and area boundaries. In order to make our organisation efficient and flexible in the process, we are promoting new working methods that allow us to react to changes fast.

One of the main emphases here is on company-wide training on agile methods and an agile mindset provided by internal coaches and trainers. D4G is our company-wide programme on digital transformation, which acts as a hotbed for smart and agile ways of thinking and working methods at the Telefónica Deutschland Group. An increasing number of employees are working according to agile methods; we support this development with D4G. Employees can become part of the D4G team through job rotation and return to their old position after a period of up to six months. Both the employee and the organisation as a whole profit from this.

ATTRACTIVENESS AS AN EMPLOYER IN PER CENT	2016	2017	2018
Employee satisfaction: result for Employee Engagement Index	61	67	74
Employee survey response rate	65	68	71





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**Leadership development**

In 2018 we introduced a programme for senior management designed to make our executives the driving forces behind transformation, change and performance. In several events within the framework of the programme, we have provided impetus for executives to grow, for cooperation within the senior management and for the development of teams. With this tailor-made programme, we also motivated executives to grow and develop emotionally. Our support for executives moreover included standardised training as well as individual specialist training, personality development and coaching programmes. A central component of our executive development is the Telefónica academy "Universitas" in Barcelona, which runs programmes on corporate strategy and culture as well as on management and personal development.

The Telefónica Deutschland Group also focuses on recruiting the best employees and retaining top performers in our company. We aim to achieve this above all through fair, respectful and trusting cooperation, achieving high levels of commitment from everyone and a good work atmosphere. An important element of our HR policy is therefore the promotion of a healthy work-life balance for our employees. We support them in reconciling their occupation with their private life – for instance through flexible (both in time and location) working models that we are continuously developing further. In addition, the Telefónica Deutschland Group offers its employees additional benefits such as pension subsidies, discounts on public transport, insurance policies, meal subsidies and employee credits. A new standardised remuneration system has also been introduced for Telefónica Germany GmbH & Co. OHG.

PROGRESS IN THE REPORTING YEAR

**New human resources strategy introduced**

In the year under review, the Telefónica Deutschland Group realigned its HR strategy, launched initiatives aimed at the key areas and set the ball rolling with regard to the necessary implementation processes. The programmes and initiatives were moreover rolled out to more departments and management levels. By doing this, we have laid an important part of the foundation that we intend to continue building on in the coming years.





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## FeedFORWARD campaign as part of the feedback architecture

Establishing a deliberate feedback culture in the area of learning is essential to the Telefónica Deutschland Group. This is why we created the extensive FeedFORWARD campaign. With this method, we aim to establish a culture of continual learning by regularly looking back and then considering what can be done better in future. At the same time, we are introducing new formats and enhancing existing ones in order to grow individually, in teams and in the organisation.

The Telefónica Deutschland Group has introduced feedback initiatives at all organisational levels:

- Personal level: we want to strengthen the forward-looking dialogue between employees and executives. We have given employees and executives tools to achieve this. We also established a uniform understanding of feedback among executives in a variety of formats.
- Team level: we have established retrospection – a method from the world of agile work that improves cooperation in teams with a structured review. We have an internal network of experts on retrospection. This consists of employees who already successfully apply retrospection in their teams. The retrospection experts present the format at information events and help interested teams adapt it to their specific needs.
- Organisation level: running parallel to the annual global employee survey, we have launched a pilot project in Munich featuring brief questionnaires, also known as pulse surveys. In future, this new survey format is to be used throughout the year more often and in a way that is issue-specific. This provides us with regular feedback from employees so that we can react more rapidly and in a targeted manner.



The Management Board and executives have an exemplary function in the context of the FeedFORWARD culture.





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## Introducing smart working methods

The Telefónica Deutschland Group has set itself the goal of adapting processes and products to the digital possibilities and improving these. At the same time, it is important to quickly anticipate changes that are brought about by the dynamic market and actively help shape those changes. In light of this, the challenge for the whole organisation is to change working methods in order to remain efficient and flexible. This process has primarily been initiated and supported by the Human Resources department and through our D4G transformation programme.

In 2018 the Telefónica Deutschland Group launched different initiatives and offerings in the area of new, smart working methods. Employees from different areas have, for instance, established a community focusing on new working methods. Anybody with prior experience of new working methods can join in, exchange information and help interested colleagues with any issues. This community creates a space for networking and exchanging expertise while also offering a platform for colleagues interested in finding out about the world of agile working. Employees have also independently organised BarCamps on the subjects of digitalisation and new working methods. Moreover, we offer our employees training and coaching on the agile mindset and methods.

During a three-day training course at our internal university, our executives also tested agile methods for team and project work and found out more about the importance of an agile mindset.

### EMPLOYER IN THE DIGITAL WORLD

## Wanted: the smart Telefónica “Way of Working”

The digital transformation produces not only technical tasks – it also poses special challenges for our organisation and employees and their way of working. That is why we are starting targeted initiatives to change the way we work together and produce new ways of working. Mario Buchner, in charge of transformation in the Human Resources department, explains: “Our future ‘way of working’ will not only require digital working methods but also first and foremost a new mindset among our employees.” What is a mindset? We want to motivate employees to continually question how they approach tasks and the path that they choose to handle tasks. This includes, for instance, choosing the right method for the particular problem – whether agile or conventional – and to take responsibility for solving the problem. Here is an example: an employee is given a new task. The reaction could be “I can’t do this!” – or it could be “I’m interested and I’d like to learn. I’ll ask someone who knows about this, research or watch online tutorials.” Employees need to show some initiative, be courageous and be open to new things.

*“Our future ‘way of working’ will not only require digital working methods but also first and foremost a new mindset among our employees.”*

*Mario Buchner, Head of Human Resources Transformation & Projects*





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## The success factor cognitive diversity

We live in an increasingly complex and dynamic world that is characterised by diversity. We aim to have this reflected in our teams in order to be able to manage new tasks on the basis of different experiences and approaches. As a company that operates around the globe, we value cognitive diversity greatly, encourage it within our workforce – it is part of our corporate and HR strategy – and are committed to treating each other fairly and with respect. At the Telefónica Deutschland Group, cognitive diversity means the deliberate involvement of employees with a variety of perspectives. We believe that the best results can only be achieved with diverse teams that contain different points of view.

Discrimination is not tolerated at the Telefónica Deutschland Group. We have underscored our position on this issue by signing the “Charta der Vielfalt” (Diversity Charter) and the Memorandum für Frauen in Führung (Memorandum for Women in Leadership Positions). We consider in particular a balanced mix of genders amongst our employees to be a real gain for the company. This attitude is not only firmly embedded in our global diversity strategy but also in our talent management. With the Women in Leadership programme, we provide support specifically for female executives.

Further details of the diversity concepts can be found in the [Management Declaration](#) and the [Corporate Governance Report](#) in the Annual Report. What is more, we have established our position on the subject of diversity in our [Business Principles](#).

## Young talent for our future

In addition to diverse experiences, we are also promoting new impulses and fresh ideas for our future viability. We especially aim to capture the interest of talented young people with an extensive training offering. We provide interns, working students, trainees and dual-studies students with a variety of career entry options in our company. The Telefónica Deutschland Group employed a total of 93 trainees and dual-studies students in 2018. 19 young people started clerical and technical traineeships with us.

DIVERSITY	UNIT	2016	2017	2018
Women in the workforce <sup>1</sup>	Number/%	3,417/38.6	3,329/40.7	3,562/40.2
Share of women in senior management (incl. Management Board) <sup>1</sup>	%	16	15	22
Female members of the Management Board <sup>1</sup>	%	33	25	25
Nationalities of employees <sup>1</sup>	Number	74	76	74

<sup>1</sup> The method for determining the employee figures changed in 2018. For comparative purposes, the previous year's figures for 2017 were recalculated. The values for 2016 are based on a different definition and are consequently not comparable.

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





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## Employee commitment is supported

Corporate volunteering is an integral part of the Telefónica Deutschland Group's corporate culture. We give our employees two days a year off so that they can give this time privately to a social cause. In addition, the Telefónica Deutschland Group organises the Telefónica Corporate Volunteering Day. This is an important element of our global strategy in terms of our company's social commitment. Every year, several thousand employees around the world volunteer with great dedication for local charity projects. Each location develops its own formats for this in order to encourage employees' commitment to social causes.

All activities are based on the same intentions: we want to play an active part in helping shape our social environment, strengthening team spirit and developing both social and professional skills. The Telefónica Deutschland Group's Volunteering Day is an important tool in raising employees' awareness further while also doing justice to our responsibilities.

Group-wide, some 30,500 Telefónica, S.A. Group employees from 30 countries have given approximately 232,000 hours of their time to social projects in the last year.

184 employees throughout Germany participated in Volunteering Day 2018, lending support to numerous local charities.

## Modern workplaces promote creativity

Since June 2018 all Telefónica Deutschland Group employees in Munich have been based in one location: the O<sub>2</sub> Tower. The building has around 2,400 workplaces. A new modern workplace concept was implemented throughout the office building. It allows every employee to make their day-to-day work more flexible and more mobile – through an open floor space concept that offers the right environment for any task and can be used by staff in the office, when on the move and at home thanks to the increased use of digital tools.

Thanks to flexible working models such as working from home and part-time work, desk-sharing is possible, which means workspaces can be used

flexibly. Furthermore, the new workspaces on the various floors of the O<sub>2</sub> Tower enable employees to work together regardless of which department they work in. Each team has a set workplace area, which is called the Homezone. Different workspace areas called Me, We, Us and Plus were integrated into each floor in the O<sub>2</sub> Tower. In the Me area, employees can choose a new desk every day. The We areas are set aside for teamwork. Departmental and cross-departmental cooperation along with meetings and events with external partners are held in the Us area on the floors or in the Plus area on the ground floor. This concept was introduced at the new location in Frankfurt in the summer and is scheduled to be rolled out to other locations, such as Düsseldorf, in the coming year.





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## Holistic health policy

We want to offer our employees a safe working environment. In order to achieve this, keep our employees healthy and promote health, the Telefónica Deutschland Group has established a holistic health policy. The objectives of the policy are to:

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

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

A variety of projects and events were the focus of our activities as part of integrated health management in 2018. For instance, we participated in Leadership Garage, an innovation project on digital-transformation implementation organised by Leuphana University of Lüneburg. Here, we gained important impulses for efficient measures in the areas of occupational health promotion (OHP) and occupational health management (OHM) against the background of digitalisation and were able to derive corresponding recommendations for action.



Over the past year, we have also revised and rewritten our company-wide occupational-safety instruction concept. It is based on the use of modern digital technologies and current methods of learning and imparting knowledge.

With our OHM webinars, we have established ongoing training offerings for corporate health management. Now, employees throughout the company can inform themselves regardless of their location about current topics in the areas of work-life balance, activity and nutrition. The advice concept "Ergonomics in the workplace" consists of personal Germany-wide advice at the employees' workplace provided by ergonomics consultants or a physiotherapist on health-promoting work including active corrective exercises.

The Telefónica Deutschland Group corporate health management was deemed to be in the excellent class at the Corporate Health Awards 2018, and the company was given the award for the best corporate health management in the information and communication technology sector. To this end, we again underwent external audits by EuPD Research.





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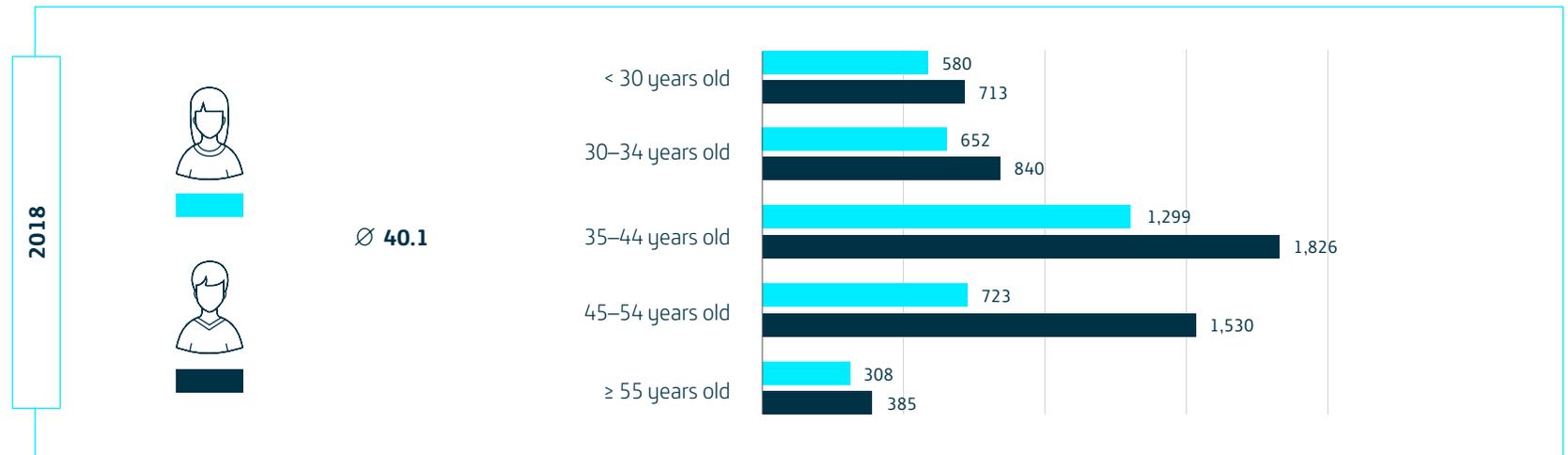
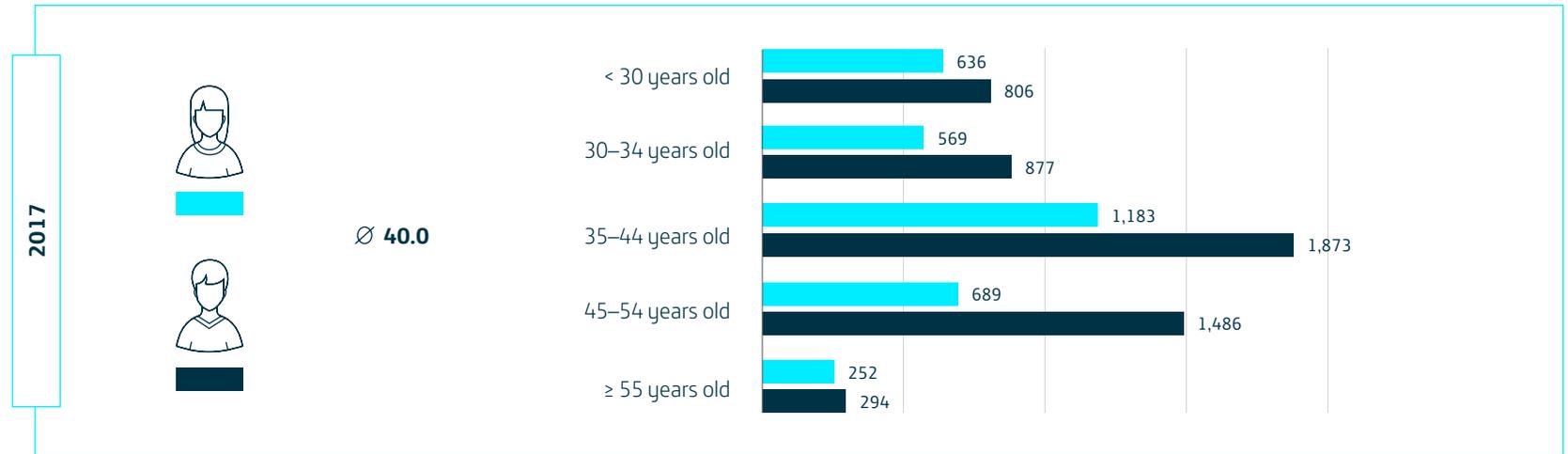
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EMPLOYEES BY AGE GROUP AND GENDER<sup>1</sup>



<sup>1</sup> The definition for determining the employee figures changed in 2018. The difference compared with the table of key figures with regard to the average age from 2017 can be explained by the modified calculation parameters.





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# Designing a sustainable supply chain

## Commitment

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

### BASIC PRINCIPLE

## Fair partnerships as the basis of sustainable procurement

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

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

### PROCESSES & MANAGEMENT

## Regular analysis of suppliers

The [Supply Chain Sustainability Policy](#) forms the basis of our dealings with our suppliers. This follows our Business Principles and is oriented towards key international treaties and standards such as the UN's Universal Declaration of Human Rights, the conventions of the ILO, OECD guidelines, ISO standards, the UN Guiding Principles on Business and Human Rights and the UN's Sustainable Development Goals. In light of the varied challenges in the global supply chain, the Telefónica Deutschland Group also integrates its suppliers into activities for the protection of human rights. We have specifically addressed this issue in our SCSP and linked it to stricter requirements. The Telefónica Deutschland Group began performing a human rights risk analysis in October 2018; this is based on the requirements of the five core elements of the NAP. You can read about the current status in chapter 6.3.

We set strict requirements for our suppliers to reduce our ecological impacts in the supply chain. Our materiality analysis has shown that potential negative impacts are to be found in the areas of water consumption and energy and CO<sub>2</sub> emissions. Our SCSP provides suppliers with guidelines on environmental topics. For example, our suppliers undertake to pay attention to ecological efficiency within the framework of their activity for the Telefónica Deutschland Group, particularly when this concerns scarce resources such as drinking water or non-renewable resources.

Management approaches: Procurement practices, Supplier environmental assessment, Freedom of association and collective bargaining, Child labor, Forced or compulsory labor, Supplier social assessment; GRI 308-2





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**MINIMUM REQUIREMENTS FOR RESPONSIBLE BUSINESS THAT ARE DEFINED IN THE SCSP:**



**ETHICAL CRITERIA**

- Observance of international conventions and national and local laws
- Prohibition of corruption, blackmail and bribery
- Avoidance of conflicts of interest



**SOCIAL CRITERIA**

- Recognised labour relationship
- Work schedule
- Appropriate wages and salaries
- Prohibition of forced labour and trafficking
- Exclusion of child labour
- Freedom of association and the right to collective bargaining
- Non-discrimination
- Health and safety conditions
- Exclusion of conflict minerals



**ENVIRONMENTAL CRITERIA**

- Compliance with all laws
- Life cycle and preventive action
- Documented environmental policy
- Environmental management in accordance with ISO 14001
- Climate change measures
- Management of waste
- Dealing with dangerous substances and chemical products
- Environmentally efficient consumption of materials and resources and atmospheric emissions



**DATA PROTECTION AND CONFIDENTIALITY OF INFORMATION**

- Data protection rules
- Technical and organisational measures

Telefónica Global Services GmbH (TGS), a subsidiary of the Telefónica, S.A. Group, manages the processes surrounding the purchase of goods and services. It works with the Group's national companies around the world and continuously coordinates its activities with the Telefónica Deutschland Group's Corporate Responsibility, Compliance, Legal and Data Protection departments to achieve supply chain sustainability. In addition, TGS is responsible for the registration process for new suppliers.

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

Active suppliers are in addition checked by an external service provider, Dun & Bradstreet (D&B), on a recurring basis with regard to financial risks. The results are fed into our central purchasing system (Ariba) and shown to the purchaser in the tender summary ("Bit Comparison"). Before contracts are awarded to high-risk suppliers, the responsible departments have to decide whether the risk is too great or not for the individual suppliers to be awarded contracts. This decision is documented in the purchasing system.





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MEASURES

## Multifaceted commitment in the supply chain

As a member of international multi-stakeholder initiatives, the Telefónica, S.A. Group champions greater transparency and sustainability within the supply chain, for example within the framework of the Responsible Minerals Initiative (RMI). Through the Telefónica, S.A. Group, we, moreover, belong to the Joint Audit Cooperation (JAC), which brings together the world's largest telecommunications companies. In addition to knowledge exchange, the JAC's primary aim is to make carrying out supplier audits efficient and uniform at the global level for all of its member companies.

The Telefónica Deutschland Group revised its SCSP in 2017. As part of the ongoing implementation of the policy up to 2020 we will focus on its targeted communication to all the suppliers, its application to all products and services within the supply chain as well as the effective management of the purchasing processes of TGS, the specialist departments, the CR department and supplier contracts. Purchasers can access the SCSP via the Telefónica Deutschland Group's intranet. The revised SCSP was also presented to the purchasers. The internal communication occurs through training and intranet formats that are geared to the employees concerned.

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

We intend to put a system in place by 2020 to improve the sustainability performance of suppliers with a high risk. We have therefore asked suppliers with a potentially high risk to submit a self-disclosure via the EcoVadis portal every year since 2017.

SUPPLY CHAIN	UNIT	2016	2017	2018
Suppliers	Number	992	888	863
of which suppliers in Germany	Number	633	617	596
Number of supplier assessments (SuMa)	Number	43	56	48

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





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### PROGRESS IN THE REPORTING YEAR

## Promoting transparency in the supply chain

We were able to make progress in several areas of our sustainable supplier management in 2018:

- To date, 98% of our suppliers have accepted our anti-corruption declaration.
- High-risk suppliers were asked to submit a self-disclosure via EcoVadis; in the year under review, this included four additional suppliers.
- We evaluated 27 supplier companies with 48 assessments as part of the SuMa process in 2018.
- Up to the end of 2018 no high reputation risk had been identified for any of the registered German suppliers.

### SUPPLIER MANAGEMENT IN THE DIGITAL WORLD

## Security in procurement processes

Telefónica is using digitalisation to make supplier management processes more efficient. The intelligent interconnection of our systems helps us to integrate different aspects of our supplier management effectively into our purchasing processes and to manage the application of our SCSP in a more pinpointed manner.

For it, we use, for example, links to Factiva, D&B and EcoVadis. Through an interface to the database Factiva, we receive access to information relating to the reputational risks associated with our suppliers. This information is checked daily and the supplier profiles are updated.

Our purchasers have access to self-assessment information from EcoVadis with our Ariba tool. The selection of suppliers therefore follows a standardised process that takes product and service-related risks into account. The results are entered into supplier profiles and are thereby visible for the purchasers.

*“By digitalising our supplier management, we intend to ensure a high-quality procurement process that is efficient and mitigates risk.”*

*Thomas Marx, Compliance Manager,  
Contract Management & Reporting*





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# Sustainable innovations and products for our customers

## Commitment

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

### BASIC PRINCIPLE

## People benefit from digital innovations

We want to make people's lives simpler, safer, healthier and more environmentally friendly with our digital products and services. Sustainable innovations are key to achieving this. In this connection, we rely on analysing large amounts of data, networking devices, and innovative products for the end customer with the focus on helping them master everyday digital challenges. Our products unite the triad of "Networking. Analysing. Optimising.". This means machines can be connected to the Internet, data can be analysed and business processes can be optimised.

The Telefónica Deutschland Group is adopting a targeted approach in pressing ahead with innovation in the areas of data analysis and the Internet of Things (IoT). We are tapping the great economic, social and environmental potentials of IoT and of intelligent data analysis, otherwise known as advanced data analytics (ADA). We are developing new business models in these areas and are at the same time using both agile methods and the strengths of the Telefónica Deutschland Group.

We will develop the area of growth that is IoT for all market segments that we already address with our core business. We intend to take a leading role in the consumer IoT area.

The Telefónica Deutschland Group open innovation hub Wayra acts as a link between our company and start-ups and focuses on IoT, ADA and AI. Our cooperation with start-ups results in innovative solutions for our various divisions. Wayra's focus is on innovations that are directly beneficial to the Telefónica Deutschland Group's core business. Start-ups in the Wayra programme have the opportunity to test their solutions and products under the conditions of a major corporation. This presents them with huge scaling possibilities.

### PROCESSES & MANAGEMENT

## Clear targets and data protection compliance

We have set ourselves important strategic targets in the area of sustainable innovations and products. In the years leading up to 2020 we intend to push technologies to simplify linking up people, devices and machines in the private and industrial world. We strive to achieve a market-leading position in the consumer IoT business area.



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

### MEASURES AT TELEFÓNICA IN GENERAL

## Building up innovative business segments

Our aspiration is to support our customers in the realisation of new digital products and business models. We offer innovative tariffs in the B2C, B2B and B2P areas that are designed to make our customers' lives simpler and better. With O<sub>2</sub> Unlimited tariffs, our customers benefit, for example, from considerable digital freedom: tariffs that are very good value for money – and offer data at a genuine flat rate – mean O<sub>2</sub> customers can move freely without having to worry that their data volume will suddenly be used up. Our P2P area features a strong tariff portfolio for our own customers, our partners and their end customers. Our B2B customers likewise benefit from innovative products, such as O<sub>2</sub> Business Fusion with convergent connectivity, M2M and our digital business models.

In 2018 the Telefónica Deutschland Group concentrated on expanding the consumer IoT business area. The focus was on the development of a platform for connecting simple devices and services that are suitable for the mass market. This IoT platform allows us to connect hardware manufacturers in the consumer IoT field with app and service providers. This means new data-based applications and services can be created for consumers that open up new target groups and business models for the partners.

With our ADA line of business, we are seeking to tap the potential offered to all areas of life by data analysis, from mobility to private consumption. This is how we are trying to develop answers to tomorrow's questions. Through the targeted analysis of anonymised and aggregated mobile telecommunications data, we intend, for instance, to make urban traffic more environmentally friendly by using the results of our analysis to predict traffic demand more accurately and support traffic planning. We supply the retail and tourism industries with need-oriented analyses based on anonymised mobile telecommunications data. This can then be used to derive better understanding of visitor behaviour.

Involving our stakeholders in our diverse activities is a matter of crucial importance to us. The Telefónica Deutschland Group therefore maintains various cooperation partnerships at project level, such as those with South Pole and Teralytics AG who specialise in sustainability solutions. Together with these project partners and the city of Nuremberg, the Telefónica Deutschland Group has used anonymised mobile telecommunications data to calculate traffic flows and show potential for reductions in emissions. This resulted in a project in 2018 that was funded by the Bundesministerium für Verkehr und digitale Infrastruktur (Federal Ministry of Transport and Digital Infrastructure (BMVI)) to evaluate emissions and traffic for unusual incidents ("IncidentAnalyse").

The Telefónica Deutschland Group is also a consortium partner in the BMVI-funded research project ProTrain as well as xMND (Extended Mobile Network Data) for the initiative mFUND. The aim of ProTrain is to optimise the capacity of public transport in the Berlin-Brandenburg region based on anonymised mobile telecommunications data. Intraplan Consult GmbH uses data that we have provided for a more precise basis for traffic planning in Munich.

There is a further cooperation in place with the Wayra start-up accu:rate. The start-up has developed software that simulates people flows and is working with partners such as the Munich Oktoberfest in order to, for example, better plan emergency evacuations.

### PROGRESS IN THE REPORTING YEAR

## Solutions for responsible data usage

We have made important advances and developed innovations in many areas in 2018. This includes, for example, the O<sub>2</sub> B2C Free portfolio, which has been updated with large data packages. In addition, the Telefónica Deutschland Group has introduced the Connect option. This option offers the opportunity to spread the data volume across different devices.





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With Aura, an advanced AI programme, we have moreover brought an innovative service on to the market for our customers. O<sub>2</sub> customers can use Facebook Messenger to query how much data they have used – and Aura provides the answer immediately. Customers can also view their prepaid credit, top up or see a list of their contract options using the same method. This self-learning AI was developed by software engineers from across the Telefónica Deutschland Group over a period of many months. It goes into a customer's data and history and gets to know their preferences. Aura is initially being used in Facebook Messenger in Germany; further functions and implementation will follow.

The Telefónica Deutschland Group also expanded the opportunities of data analysis to cover the tourism industry. The pilot project with the Chiemsee-Alpenland region to examine the visitor structure has been successfully launched.

In 2018 Wayra, the start-up accelerator of the Telefónica Deutschland Group, also made important progress, above all with its global relaunch. With the relaunch, Wayra is rolling out the successful model tried and tested in Germany to the other nine countries in which it is active. Ten new start-ups from areas including IoT, transport analytics, online training, AI and process mining have also received

funding. Additionally, a new cross-sector start-up programme was introduced – together with other industry partners such as Volkswagen and OSRAM. In the reporting year, Wayra funded a total of ten start-ups that have all successfully implemented projects with the Telefónica Deutschland Group. The positive financial effects generated by these projects at the Telefónica Deutschland Group, such as increased revenue or savings in operating business activities, amounted to approximately one million euros.

The progress we made in 2018 also received external praise: the Telefónica, S.A. Group received an award from the market research company Forrester Research for data analyses tailored to customer needs (specialised insights services). This was the evaluation of "[The Forrester Wave™: Specialized Insights Service Providers, Q3 2018](#)"<sup>1</sup>.

<sup>1</sup> Belissent, Jennifer/Cullen, Elizabeth (2018): The Forrester Wave™: Specialized Insights Service Providers, The Nine Providers That Matter Most And How They Stack Up, in: The Forrester, Q3 2018 – 19 September 2018





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## Profitable cooperation with start-ups

Wayra identifies start-ups that can cooperate with different divisions of the Telefónica Deutschland Group and test and scale their solutions there. This is how, for instance, a chatbot called Lisa came to work in the customer service of O<sub>2</sub>. Lisa was developed by the founding team at e-bot7 supported by Wayra. She processes more than 24,000 queries per month. This application based on AI helps customers automatically with frequently asked questions surrounding products and tariffs. This frees up our customer service employees to deal with more complex questions and customers benefit from faster responses to their questions. However, Lisa does not have access to contract information.

The Wayra start-up Conntac has digitalised the Telefónica Deutschland Group's customer service with the introduction of the new O<sub>2</sub> Hilfe App (O<sub>2</sub> Help App) for DSL customers: the app helps O<sub>2</sub> customers to help themselves, for example in setting up a new Internet connection or when their Internet is not working as it should. The app either fixes the problem automatically or acts as an interactive guide for the customer. This is therefore another offering with which we are making our customers' lives easier and better. If the app cannot fully solve the issue, it generates a number and connects the customer with a skilled service employee. The employee can then pick up where the app left off. Neither does the customer have to explain their problem again nor do any troubleshooting steps have to be repeated. This saves time and raises customer satisfaction.

## Innovative solutions for business and private customers

Our IoT solutions for business customers include, for example, smart mobility for driver coaching and electric vehicles. The innovative telematics technologies and solutions from Geotab enable companies to minimise their environmental impact. They help to reduce fuel consumption and CO<sub>2</sub> emissions, optimise route planning, reduce idle time and aggressive behaviour behind the wheel and maintain optimal engine performance of the vehicle.





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Together with Huawei and Q-loud, we have implemented a smart-energy pilot project for Munich Airport. The project involves the use of narrowband IoT (NB-IoT) – an LTE transmission method that uses less bandwidth and ensures that small amounts of data can even be used in difficult environments and reliably transmitted over long distances. With the smart-energy solution for Munich Airport, all meters for electricity and water that are within a radius of ten kilometres of the airport could perspectiveively be monitored using smart metering. The pilot project sees the airport first test the live operation of 15 smart meters and learn how the technology can be put to good use. Smart metering is a technology also used by innogy: here, the technology supports the energy transition and digitalisation, for instance with regard to intelligent electricity supply systems.

## SUSTAINABLE INNOVATIONS AND PRODUCTS

# Always bearing ethical principles in mind when using AI

Artificial intelligence (AI) is already an important element of digitalisation in Germany. By processing large volumes of data based on complicated algorithms, AI helps people and organisations to automate processes and make decisions based on data. This results in a wealth of tangible improvements – such as in medical diagnoses, assistance systems for cars or coping with humanitarian catastrophes.

As a telecommunications company, we play a central role in these developments. We use AI and algorithms to improve customer experiences with regard to our service, network and products: AI facilitates the optimisation of the mobile network and supports better customer experiences through digital assistants like Aura.

Telefónica is committed to upholding clear ethical principles when it comes to using AI. They are designed to act as a guide for the company when working with data and AI and simultaneously help technology to have a positive impact on society.

*“At Telefónica, we evaluate our projects involving AI according to firm ethical principles.”*

*Markus Heimann, Director Digital & Data Competence Center*





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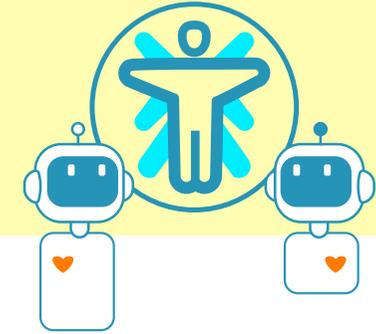
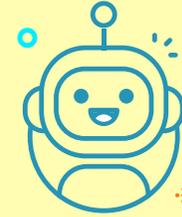
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# Our ethics of artificial intelligence

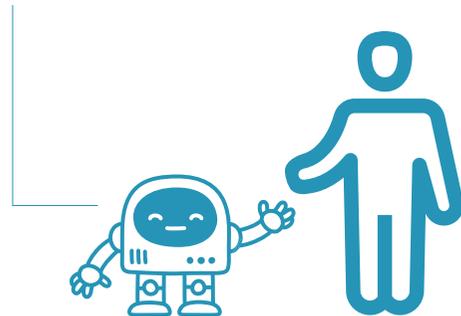
Our ethical principles on using artificial intelligence make the people the focal point. We assess all projects with AI according to the following ethical principles:



**PEOPLE FIRST, AI SECOND**  
People must remain the highest ethical authority.

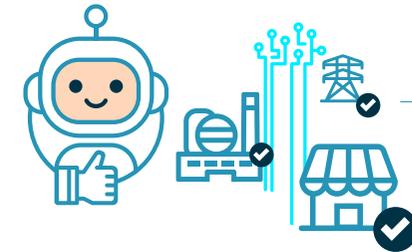
## FAIR AND ACCESSIBLE FOR ALL

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



## AI SHOULD HAS TO SERVE SOCIETY

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



## CHECKING THIRD PARTIES

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

## RULES FOR AI USE

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



## TRANSPARENCY AND DATA PROTECTION

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





# Digital integration for everyone

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## Commitment

We make people of all age groups fit for the digital world. With Germany-wide support programmes such as Think Big, “Digital mobil im Alter – Tablets für Senioren” and our O<sub>2</sub> Gurus, we will in the years leading up to and including 2020 provide inspiration and support to 10 million people.

### BASIC PRINCIPLE

## Concept of participation based on three pillars

We want all people to be able to benefit from digitalisation and we want to enable them to navigate the digital world in a self-determined and safe manner. In the course of this, we consider it important to familiarise people with the enormous potential and the opportunities presented by digitalisation, but also sensitise people to the potential risks.

Not everybody has the technical prerequisites, financial means or necessary knowledge to handle digital media confidently. That is why the Telefónica Deutschland Group is committed to helping people of different ages access information, media and digital technology more easily. The focus here is above all on three initiatives: the O<sub>2</sub> Gurus are the first point of contact for all questions, tips and tricks surrounding life in the digital world. Think Big, a programme run by the Telefónica Foundation and the Deutsche Kinder- und Jugendstiftung (DKJS, German Children and Youth Foundation) together with O<sub>2</sub> aims to support young people in finding their way around the digital world, improving their technological skills and developing ideas and entrepreneurial spirit for the benefit of our society. What is more, with the “Digital mobil im Alter” (Digitally Mobile in Old Age) programme, the Telefónica Deutschland Group and Stiftung Digitale Chancen (Digital Opportunities Foundation) have committed themselves to letting the elderly benefit from the digital world.

As part of the Telefónica Deutschland Group Responsible Business Plan 2020 we are pursuing the goal of making people of all age groups fit for the digital world and by 2020 providing 10 million people with inspiration and support.

### PROCESSES & MANAGEMENT

## Feedback supports project successes

In order to achieve this objective, we regularly evaluate our measures and projects with the help of accompanying scientific studies and develop them further in a targeted manner. Moreover, we evaluate individual programmes and events in detail. The corresponding key figures are established in advance. For example, the numbers of youths participating in Think Big are reported to the Telefónica Foundation quarterly. The Telefónica Deutschland Group also collects various key figures to do with the “Digital mobil im Alter” programme; these include participants at events, symposia and the number of website visits. In our programmes, we regularly collect feedback from participants in order to be able to even better meet older people's needs in future.





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### O<sub>2</sub> GURUS – MEASURES

## Experts guide you through the digital world

Our O<sub>2</sub> Gurus offer valuable support to people in finding their way around the digital world and being able to benefit from the new possibilities. The O<sub>2</sub> Gurus can be found both online and in O<sub>2</sub> shops; their motto is "Help, advise, inspire". They use free workshops held locally or webinars to make the best possible way of using digital technology more accessible to participants of different ages. The offering also includes numerous videos and blog articles that explain digital products and services simply and clearly. In addition, our O<sub>2</sub> Gurus convey useful tips and tricks to all customer groups through the Helping Hands videos. The Telefónica Deutschland Group has set up a special emergency communication service for people with a hearing and speech impairment: customers can contact us via text message and the text message is faxed to an emergency call centre.

### O<sub>2</sub> GURUS – PROGRESS

## O<sub>2</sub> Gurus have inspired 250,000 people

O<sub>2</sub> Gurus have held 3,600 workshops at O<sub>2</sub> shops and other stores since 2014. In 2018 alone, the hotline Gurus in our contact centres provided information and digital inspiration to more than 520,000 people via the hotline and chat. Our video Gurus were contacted a good 4,700 times by video call last year. A total of around 94 videos were shared on our official O<sub>2</sub> YouTube channel, which was visited approximately 815,000 times. We receive approximately 1,700 text messages per month within the framework of our services for people with a hearing and speech impediment.

### "DIGITAL MOBIL IM ALTER" – MEASURES

## Digitally Mobile in Old Age promotes participation of senior citizens

For more than six years now, the Telefónica Deutschland Group has committed itself together with Stiftung Digitale Chancen (Digital Opportunities Foundation) to enabling greater digital participation among the elderly. The "Digital mobil im Alter – Tablets für Senioren" (Digitally Mobile in Old Age – Tablets for Senior Citizens) project gives senior citizens the opportunity to try out tablet PCs and gain experience of using the Internet with the support of experts for a period of eight weeks. The programme has been developed continuously over recent years: while the initial aim was above all to dispel older people's reservations about the digital world and show senior citizens its advantages, we have over the course of recent years increasingly dedicated ourselves to the issue of the user behaviour of senior citizens and teaching skills as needed.

Together with the scientific director of Stiftung Digitale Chancen (Digital Opportunities Foundation), Prof. Herbert Kubicek, the Telefónica Deutschland Group supported the implementation of an empirical study examining the digital user behaviour of the elderly in their everyday lives. This study was published in July 2017.

The series of events with the title "Useful apps for senior citizens' everyday lives" was also continued in Munich and Düsseldorf in 2018; here, senior citizens had the opportunity to try out everyday mobility and information apps and break down existing use barriers.

The "Digital skills for the older generation" guide, which was created based on the findings of the study, was completed in spring 2018 and is available for download. With instructions and examples, it aids in planning and designing a needs-based offering for the support of senior citizens. Digital updates and expansions are to be offered in future as well. Together with our network partners and institutions, we have in addition set ourselves the objective of expanding the existing offering and educating and training senior-citizen trainers.





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The district office of Leineberg in Göttingen is another current cooperation partner of our senior-citizen programme; it is responsible for the “Leinefischer im Netz” (Line Fishers on the Net) project. The aim of this project is to gently introduce senior citizens to using computers, with the aid of detained adolescents. This promotes dialogue between the generations and supports the adolescents in their rehabilitation.

### DIGITALLY MOBILE IN OLD AGE – PROGRESS

## Digitally Mobile in Old Age makes its presence felt

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

The project was presented at different symposia and trade fairs in the past year. This saw Prof. Herbert Kubicek, for instance, present his conclusions from the project during the digital platform Smart Cities, organised by the Bundesministerium des Innern, für Bau und Heimat (Federal Ministry of the Interior, Building and Community (BMI)). The project was also introduced to the approximately 14,000 visitors at the 12th Deutscher Seniorentag (German Senior Citizens’ Day) trade fair in Dortmund. The project and findings from the study supporting the project were also presented as part of a panel discussion at this year’s REHACARE convention.

We have reached 23,400 people with “Digital mobil im Alter” (Digitally Mobile in Old Age) – of these 14,700 were older people and 8,700 younger people promoted it. A total of 1,500 copies of the “Digital skills for the older generation” guide were sent to institutions across Germany.

### THINK BIG – MEASURES

## Actively shaping the future in a digital world

The youth programme Think Big is aimed at strengthening the digital and social-entrepreneurial skills of young people between 14 and 25 and at the same time motivating them to actively help shape society. It is the largest corporate responsibility programme in the Telefónica Deutschland Group’s history.

With Think Big, the Telefónica Deutschland Group wants to initiate a social change according to the motto “Empowering young people for the digital world” and is very clearly focusing on the use of digital

technology here. This is because we are convinced that digital communication not only brings the world closer together but that it is also the key to the sustainable development of our society.

In 2018 the Think Big focus was on digital topics and technologies that are currently highly relevant socially. Young people were able to participate in workshops during the Think Big tour and the new Think Big camps. Another part of the programme is the new Think Big eCademy, through which young people can learn digital skills online. The young people also have the opportunity to submit their own project ideas according to the motto “digital to do good” and receive financial support and advice from Think Big.





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The following three digital topics feature throughout the entire programme:

**Big data:** here, the aim is to develop awareness of data, understand the value data adds to society, and understand, analyse and evaluate records for our own plans. Another aspect, however, is recognising the limits and possible risks, such as those with regard to data protection.

**Making & coding:** the focus here is on the creative development and production of individual useful products with the help of simple materials and digital manufacturing technologies. Products developed in this way are ideally also able to add value to society, e. g. interactive and programmable robots.

**Digital story design:** digital story design is about the creative development and design of messages, stories and identities in digital form for a good cause. This succeeds with the help of digital creativity tools, innovative collaboration and process methods, and different media production software.





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### THINK BIG – MEASURES

## Our highlight in 2018: Think Big Camp XXL

On 19 October, 70 young people, digital experts and 20 Telefónica Deutschland Group employees came together to take part in our highlight Think Big Camp event at the O<sub>2</sub> Tower in Munich – the Think Big Camp XXL. Digital and social topics such as democratic participation, hate posts on the Internet and the future of work were discussed intensively with the common objective of committing to a digital future. The event was part of the international Telefónica Volunteering Day.

### INCLUSION IN THE DIGITAL WORLD

## Employees and young people exchanging information on the digital transformation

The Telefónica Deutschland Group aims to enable people to interact with the digital world in a safe and self-determined manner.

At our Telefónica Volunteering Day last year, we organised the Think Big Camp XXL in order to talk to young people, Telefónica Deutschland Group employees and external guests about how digitalisation can be used to further good causes. In the O<sub>2</sub> Tower, the young people were greeted with an exciting programme consisting of talks, practice units, discussions, live appearances and time for exchanging thoughts with others. The participants also had the opportunity to talk to our external guests – for example about the influence AI is having on our working lives. Workshops offered insights into very specific technologies and methods. Employees from Telefónica NEXT, for instance, showed participants how mobile communications data can be used to create solutions for cities and traffic.

*“It is important to us that everybody, regardless of their age, ethnic origin and gender, is included in the digital transformation.”*

*Deniz Taskiran,  
Corporate Responsibility Manager*





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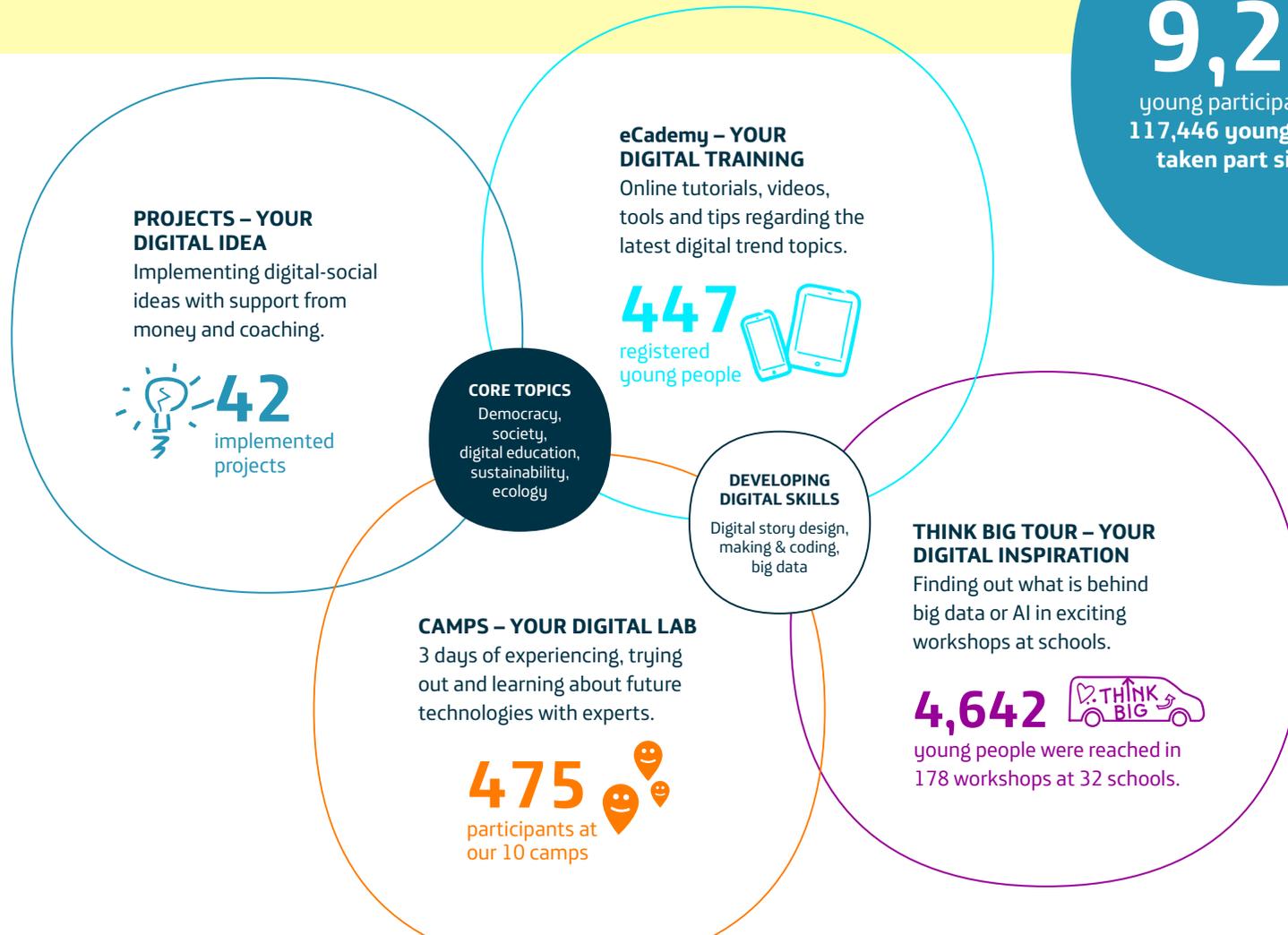
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# Getting young people fit for the digital world

With our youth programme Think Big, we would like to strengthen the digital and social-entrepreneurial skills of young people and at the same time motivate them to play an active role in helping to shape society. In 2018 our programme's motto was **"Empowering young people for the digital world"**.

# 9,273

young participants in 2018.  
117,446 young people have taken part since 2010.





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# Increasing trust in data protection and information security

## Commitment

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

### BASIC PRINCIPLE

## Data protection is of great importance to Telefónica

Every day, millions of customers place their trust in the mobile network and services of the Telefónica Deutschland Group. We therefore take the protection and security of customer data very seriously and aim to ensure that people remain in control of their data. Data protection in the Group has the relevant laws and regulations as its basis. We also make a commitment in our Business Principles to observing information security and transparency. The Telefónica Deutschland Group treats sensitive data confidentially and protects this data from any unauthorised access by third parties.

We protect the data of our customers as well as our employees, partners and investors in our processes and products. We have suitable systems in place to guarantee that the Telefónica Deutschland Group's business activities comply with data protection regulations. One of our highest priorities in the reporting year was implementing the GDPR. We have moreover made further progress on our data protection management system (DPMS) and information security management system (ISMS) in the area of corporate security and supplemented the existing crisis communication concept.

### PROCESSES & MANAGEMENT

## Clear rules and processes established

The Telefónica Deutschland Group ensures data protection, information security and compliance with relevant laws and regulations through strict internal rules and standards. We have adopted various guidelines for this purpose. The decisive frameworks include the Group's data protection standards which form the foundation of the data protection management system (DPMS) as well as our guidelines concerning data protection. These present our principles in handling data and in our communication with our customers and the public in a transparent manner.

The internal guidelines concerning security (Security Global Policy) and rules for minimum security requirements (Corporate Rule on Minimum Controls) apply throughout the organisation. These are supplemented by a wealth of additional guidelines, standards and procedural instructions on various aspects of data protection. Our privacy policy contains clear guidelines on the protection of personal data that to some extent go above and beyond the statutory specifications. Our employees receive annual training on this.

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



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Efficient structures and processes are moreover in place; these are designed to guarantee that there are no violations in the areas of data protection and information security. With our company-wide data protection management system (DPMS) and information security management system (ISMS), we manage the processes that secure standards, our targets, responsibilities and training as well as regular checking of measures that have been implemented. We also perform on-site audits of our service providers to guarantee that our business partners are moreover complying with data protection law. The Telefónica Deutschland Group has clear processes and regulations in place for involving subcontractors and sets corresponding requirements for contracts (commissioned data processing (CDP)).

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

quickly and clearly. At the same time, clear operating processes are in place for responding to customer queries and recording customer information.

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

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

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

MEASURES

Full sensitisation to data protection

Self-determination, transparency, protecting personal data, and innovation are firmly established in our guidelines in the area of data protection. More information on this topic can be found on our redesigned data protection website. The site explains in detail what types of data the Telefónica Deutschland Group processes, how we protect our customers' data and what customers can do themselves to protect their data. Consumers can also exercise their rights in accordance with the GDPR. Anybody wishing to submit an information request to the Telefónica Deutschland Group or start a data portability process can do so using the data protection website.

Our priorities include providing regular, targeted and comprehensible information about how we process data. To this end, we have, in particular, standardised our privacy policies and incorporated the appropriate information into the websites of our Group's brands. Data protection coordinators were in addition appointed in the departments for better management of the DPMS.

DATA PROTECTION AND INFORMATION SECURITY IN NUMBERS	2016	2017	2018
Procedures initiated due to privacy/data protection breaches (Section 109a Telekommunikationsgesetz (German Telecommunications Act (TKG)))	4	1	0
Penalties in the form of fines due to breaches of privacy/data protection during the year	1	0	0
Registrable breaches/incidents related to information security and cybersecurity	8	9	36
Penalties in the form of fines paid in relation to information security breaches or other network security incidents	0	0	0





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There is regular training aimed at various target groups to increase security awareness. This allows us to sensitise individual departments, selected security contact points or even all employees at different locations. In the past year, we have updated our data protection and information security training and trained our employees using mandatory online training as well as additional training on the new regulations. Our cybercrime events that were held in Munich, Düsseldorf and Hamburg are an example of this. The risks posed by new media and technologies were explained, sensitisation to specific dangers in this regard took place and we showed how to effectively take steps against these threats. In addition, all employees are obliged to observe data and telecommunications secrecy.

We moreover developed further new processes and tools over the course of the past year. The creation of concrete instructions for material crisis scenarios (network failures, data misuse, bomb threats, and the like) means we are now prepared for such situations. Training and simulation exercises were also conducted for such scenarios and the whole organisation was sensitised to handling crisis scenarios. Targeted exercises such as “Data misuse in the Telefónica Global Group” and the “Network Cyber Security Exercise” as well as the “Bomb threat at one of our call centres” simulation lead to greater security and safety in dealing with crisis situations and reveal any weaknesses that exist in our processes.

Our stakeholders are integrated into data protection and information security through a large number of measures. One example is the dialogue we have via our data protection forum, where relevant internal stakeholders are represented. Another is the fact we are continuously in touch with external partners and relevant authorities, such as the Bundesnetzagentur (Federal Network Agency (BNetzA)), the Bundesamt für Sicherheit in der Informationstechnik (Federal Office for Information Security (BSI)) and the Bundesbeauftragter für den Datenschutz und die Informationsfreiheit (Federal Commissioner for Data Protection and Freedom of Information (BfDI)). Lengthy proceedings with the authorities, for example regarding traffic data retention, were concluded in 2018. The Telefónica Deutschland Group is moreover represented in global initiatives surrounding data protection, such as the [Global Network Initiative](#), via the Telefónica, S.A. Group. We are also members of a variety of industry associations.

## PROGRESS IN THE REPORTING YEAR

### Transparency strengthens trust

In the past financial year, no sets of proceedings were initiated due to data protection violations and breaches of statutory regulations in this area. No penalties, in the form of fines, were imposed on the basis of data protection violations. 36 reportable security breaches or incidents with regard to confidentiality, integrity and availability in connection with network and information security were identified. These are the result of improved security management (process optimisations) and relate to availabilities, which can mainly be traced back to the efforts within the scope of network consolidation. The project to adjust to the GDPR launched in 2017 was successfully continued in 2018.





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## Innovations for data protection and information security

Digital life will in future be considerably easier and safer for mobile-communication customers in Germany. Together with Deutsche Telekom and Vodafone Deutschland, the Telefónica Deutschland Group is developing a uniform solution for protected registration for Internet services – and all without entering a username or password. The basis for this is the globally established GSMA service Mobile Connect. The identity and data platform Verimi will likewise be the first significant partner to offer this process. With it, customers can use their personal mobile-phone number to clearly identify themselves for purchases when shopping online as well as logging into Internet portals. In future, this should also be possible for digital visits to the authorities.

Together with other mobile service providers, the Telefónica Deutschland Group shows how simple and secure mobile payment is today with the Web portal “Zahl einfach per Handyrechnung” (Simply pay by mobile-phone bill). The objective of the clean-market initiative is to establish uniform and customer-friendly rules for paying by mobile-phone bill, thereby further strengthening consumers' trust in this method. What is more, our business customers have been able to use our cyberthreats service since October 2017. The Telefónica Deutschland Group is therefore reacting to the increasing demand for individual and reliable security solutions for potential threats from the digital environment. Using permanent monitoring, the cyberthreats service supports companies in identifying potential attacks early and taking corresponding measures.

In 2017 we supplemented our stakeholder dialogue with a new series of events in the Telefónica BASECAMP together with our partner Der Tagespiegel. We continued this in the reporting year. The Data Debates make potentials and risks of increasing digitalisation transparent and provide sufficient matters for discussion.

### DATA PROTECTION IN THE DIGITAL WORLD

## Digital trust

### first

Good statistical analyses form the foundation of better planning – and this is our starting point: the Telefónica Deutschland Group analyses anonymised data for statistical evaluations. This data can be used to optimise timetables for local public transport, avoid traffic congestion, reduce CO<sub>2</sub> emissions in cities and adapt store opening times to shoppers' needs.

The prerequisite for helpful evaluations is therefore comprehensive data protection. This is due to the fact that millions of customers rely on our communication networks every day. With its DAP, the Telefónica Deutschland Group has developed a method – based on one of the world's strictest data protection standards – that allows us to reliably anonymise the data we have in a process using multiple steps. It was created in close cooperation with the Federal Commissioner for Data Protection and Freedom of Information (BfDI) and is certified by TÜV Saarland. The DAP provides comprehensive and sustainable protection for the privacy of all customers and sets new benchmarks even at an international level.

Ultimately, however, our customers should always retain control of the use of their data. That is why they can check the current status of the use of their anonymised data at any time and adapt the use of any data captured in future as required.

*“Sustainable protection of privacy has to be the core of all developments.”*

*Jonathan Ukena, Practice Lead Big Data Privacy Services*





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# The data used by Telefónica

In order to provide and invoice telecommunications services, the Telefónica Deutschland Group requires recorded data and traffic data. From this data, it generates anonymised data for analysis purposes.



## PERSONAL DATA PROVIDED

### What data are those?

First name and surname, address, date of birth, telephone number, email addresses, bank account details, information on products (that have been ordered from Telefónica)

### What do we use the data for?

Telefónica ascertains this data in order to be able to conclude, change or end a contractual agreement for telecommunications services with a customer.



## TRAFFIC DATA

### What data are those?

These are the data that result from day-to-day communication between mobile phones and mobile-communication masts (when surfing and making calls).

### What do we use the data for?

Among other things, Telefónica needs traffic data among things for billing purposes and remedying faults. Where storage of data is concerned, Telefónica applies the guidelines of the Federal Commissioner for Data Protection and Freedom of Information (BfDI). The Commissioner stipulates a storage period of between seven and 90 days.



## ANONYMISED DATA

For analysis purposes, Telefónica anonymises the data and uses it to calculate anonymised movement flows. These provide key insights with relevance for the economy and society. For this process, Telefónica has developed a three-level TÜV-certified anonymisation procedure that does not allow conclusions about individual people to be drawn.





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# Protecting children and young people in the digital world

## BASIC PRINCIPLE

### Protecting children and young people is a high priority

The age at which children want a smartphone is getting lower and lower – most young people can no longer imagine one not being a part of their everyday lives. The Telefónica Deutschland Group considers it therefore important to specifically take responsibility here. We want to enable young people to use digital media in a competent and safe manner and protect them from problematic media content as part of the Telefónica Deutschland Group's offering. At the same time, our top priority is to comply with the stringent youth media protection requirements as dictated by the law in Germany.

## PROCESSES & MANAGEMENT

### Youth Protection Officer as central contact

Via globally applicable guidelines, the Telefónica Deutschland Group ensures that youth protection is integrated into the product and offering design of our business partners. The Telefónica Deutschland Group has appointed an internal Youth Protection Officer in accordance with the statutory requirements in § 7 Para. 1 of the Jugendmedienschutz-Staatsvertrag (German Interstate Treaty on the Protection of Minors in the Media (JMStV)). The Youth Protection Officer provides advice and support, so much so that we can be sure products and applications meet the strict legal requirements.

## MEASURES

### Varied solutions for better media skills

The Telefónica Deutschland Group is actively involved in the political and public debate surrounding media protection for young people, for example through active cooperation in corresponding interest groups. This includes us being a member of the Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e. V. (German Association for Voluntary Self-Regulation of Digital Media Service Providers (FSM)). Here, we are actively involved as members of the board and are

engaged in ensuring that practical media protection for the younger generation in Germany always takes into account new trends in children's and young people's user behaviour. We have also been committed to voluntary self-regulation in mobile-communication media protection for young people back in 2007.

The Telefónica Deutschland Group, moreover, supports the competent and safe use of digital media through its youth programme [Think Big](#). At the same time, our youth protection strategy includes technical protection measures and transparent pricing. This, too, helps young people to develop media skills.





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In order to introduce children in particular to the safe use of online offerings and social media, the Telefónica Deutschland Group has developed two brochures together with the association Deutsches Kinderhilfswerk e. V. (German Children's Fund). These are Internet Guide für Kids (Internet guide for children) and the Handy Guide (Mobile-Phone Guide). Both are available for download in [German](#) and [Turkish](#). The brochures provide lots of information for parents and children on how to use mobile phones, smartphones and mobile Internet responsibly.

We presented the new internet guide for children at the O<sub>2</sub> Tower in Munich on the occasion of Safer Internet Day 2018. 80 young schoolchildren learned about the opportunities and dangers of the Internet in an interactive workshop with experts from the Telefónica Deutschland Group, Deutsches Kinderhilfswerk e. V. and politics, politics and a YouTuber. Using digital media for learning was discussed afterwards. This resulted in interesting approaches, for example the suggestion that there should be a separate school subject on the topic of media. Sufficient support from the children's direct surroundings was, moreover, called for, in order to promote the safe use of digital media.

Our mobile safety solution O<sub>2</sub> Protect offers our customers and their children effective protection from digital risks. Our customers can secure their Android smartphones using O<sub>2</sub> Protect Mobile. The all-round protection package O<sub>2</sub> Protect Complete even

guarantees online protection for up to five devices. This also gives parents the option of activating a child safety lock. They can also determine what digital content can be accessed and for how long.

In addition, the Telefónica Deutschland Group provides information online about youth protection, for instance tips for parents on suitable tariff options and special protection functions on mobile phones. The O<sub>2</sub> Gurus are also important contacts for any questions surrounding youth protection.

Schools play a decisive role in developing young people's media skills. That is why we participate in the "Medien in die Schule" (Media at School) project and support the development of teaching materials that can be freely used and adapted by teachers.



# Environmental and Climate Protection



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# Environmental and energy policies set the framework

BASIC PRINCIPLE

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

The Telefónica Deutschland Group aims directly to reduce the impact its business activities have on the environment and protect the climate. Energy consumption and the accompanying greenhouse gas emissions constitute the material impacts that our business activities have on the environment. We intend to reduce these with clear goals. The network technology, accounting for 96% and therefore the largest share of the electricity consumption, plays the most important role here.

We rely on different elements to save energy and reduce greenhouse gas emissions: we invest in energy-efficient technology and buildings, use renewable energies, promote low-pollutant mobility and offer our customers sustainable products and services. We are moreover working intensively on in our own processes using natural resources as sparingly as possible and producing as little waste as possible.

By achieving the targets, we will not only improve our own environmental footprint but also our business figures: increasing energy efficiency in our operating business activities (opex) is set to lead to savings compared to 2016 of EUR 15 m by 2020.

PROCESSES & MANAGEMENT

## Management systems anchored in the company

Our binding company-wide environmental and energy policy forms the basis of all our activities. This is aimed at our business processes in the areas of the network, office spaces, mobility, responsible procurement and our product and services portfolio with the main emphasis on sustainable innovations.

Our environmental policy is established in the environmental guidelines in accordance with ISO 14001. These particularly seek to promote the identification of and compliance with all relevant laws, norms, standards and other binding obligations. Our environmental management system serves to prevent and minimise any negative effects that our activities and infrastructures may have on the environment.

CLIMATE PROTECTION: ENERGY CONSUMPTION	UNIT	2016	2017	2018
Total energy consumption per data volume	GWh/PB	0.30	0.25	0.22
Share of total electricity consumption from renewable sources	Per cent	74	71	82
Share of green electricity in own procured and controlled energy	Per cent	100	100	100





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We have moreover established our own energy guidelines in the company in accordance with ISO 50001. These are based on the environmental guidelines and specify the principles of environmental management in the area of energy.

The Telefónica Deutschland Group's offices and own shops have now been certified in accordance with the environmental management standard ISO 14001 and the quality management standard ISO 9001 since 2004. An external audit in 2018 confirmed once again that Telefónica Deutschland Holding AG complies with the globally applicable standards for the management systems.

In order to manage these processes, we have appointed energy and environmental management system officers, and we have set up both an environmental committee and an energy committee. Environmental issues and targets as well as all measures are subject to an annual management review.

We aim to ensure improvement in our company's performance, products and services from an environmental point of view, primarily by using a systematic performance evaluation on the basis of the defined targets in the Responsible Business Plan 2020. One of our climate protection targets is to reduce direct and indirect CO<sub>2</sub> emissions by 11% by 2020 (basis year: 2015).

Another of our targets is to reduce energy consumption per data volume (GWh/PB) by 40% by 2020 (basis year: 2015). Energy consumption per data volume was 0.22 GWh/PB for the year 2018; this means we have already achieved our target with a reduction of over 46%. Despite the expansion of our network, we strive to keep this level stable in future.

Regarding our company cars, average fleet emissions are to be reduced to 95 g CO<sub>2</sub>/km for company vehicles newly registered from 2020. We fully achieved our goal of reducing CO<sub>2</sub> emissions caused by business travel by 10% by 2018 compared with the basis year 2015 with a reduction of 12%.





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# Lowering energy consumption and emissions continuously

## Commitment

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

### MEASURES

#### Modernising networks leads to improved energy efficiency

The Telefónica Deutschland Group is committed to the promotion of a low-carbon economy. We are continually improving our energy efficiency by switching to energy-saving components throughout the company. This enables us to make an active contribution to the reduction of greenhouse gas emissions. We also insist that natural resources are used efficiently and apply environmental criteria to our procurement processes in order to reduce our ecological footprint even further. Another focus is on developing products and services that make sustainable behaviour easier for our customers.

In the course of the merger of the Telefónica Deutschland Group and the E-Plus Group, we implemented comprehensive measures aimed at environmentally friendly network and office location

consolidation. In the network area, progress was moreover made on numerous energy efficiency measures, which we intend to have implemented by 2020 at the latest. These primarily include modernisation of the 2G and 3G networks, which enabled us to achieve total savings of 5.6 GWh by the end of 2018 (based on 2016). A final evaluation is still pending.

Thanks to the network consolidation which is almost completed involving the deactivation and demolition of a total of 14,000 sites we achieved savings of 150 GWh between 2016 and 2018. The consolidation is managed by measuring the progress of the 2G/3G modernisation project, which we report on monthly.

Further savings of 50 GWh should come from the deactivation of the DSL main distribution frames leading up to 2020. This achieved a reduction of 30 GWh by the end of 2018 compared to 2016.

#### CLIMATE PROTECTION: ENERGY CONSUMPTION IN GWH

	2016	2017	2018
Total energy consumption	843	791	778
Total electricity consumption <sup>1</sup>	803	752	746
of which by the network and data centres	775	722	715
of which by offices, shops, call centres	28	30	31
Total fuel consumption <sup>2</sup>	40	39	32
Energy from renewable energy sources	591	536	610

<sup>1</sup> Electricity consumption equals the quantities consumed that were actually accounted for and partly predicted for 2018 per consumption point.

<sup>2</sup> Fuel consumption (in the form of diesel, natural gas and district heating) comprises the unit provided via a direct contract.





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We have implemented various measures in order to achieve our mobility targets. One of these measures was the introduction of new travel guidelines. We encourage our employees to act in an ecologically advantageous manner and, for instance, take the train instead of flying from Berlin to Munich. As a result, the number of train journeys on this route has increased tenfold in 2018 compared to the previous year. The following generally applies to all our travel activities: close monitoring takes place on the basis of data transferred by the travel agency and our mobility service provider for the management of our fleet of company vehicles.

PROGRESS IN THE REPORTING YEAR

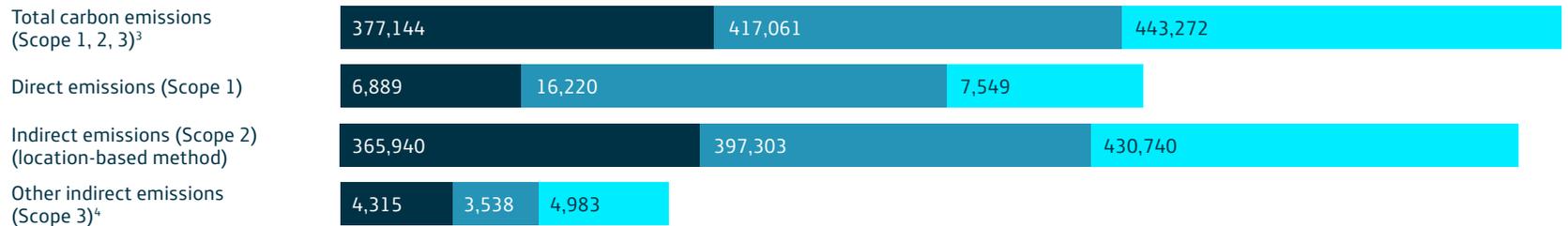
Emissions reduction successfully continued

In order to promote the use of renewable energies, we already procure 100% green electricity where we are in a position to do this. We mainly make our savings through network conversion: the continual consolidation of networks leads to both an improved network and energy savings. In addition, we were able to reduce energy consumption per data volume by 10% in the reporting year through the use of new and energy-efficient technologies.

In order to attain our target of reducing the average CO<sub>2</sub> emissions of company vehicles registered from 2020 to 95g/km, we are continually tightening the bonus-malus system for selecting new company vehicles in order to give our employees additional incentives to behave responsibly. The company fleet's average CO<sub>2</sub> emissions fell by only 0.6%<sup>1</sup> in 2018 compared with 2017.

CLIMATE PROTECTION: GREENHOUSE GAS EMISSIONS

In tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>eq<sup>2</sup>)



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

<sup>3</sup> 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. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions. The Telefónica Deutschland Group uses the electricity conversion factors of the UBA (development of specific carbon dioxide emissions in the German electricity mix during the years 1990–2017) – 489 g CO<sub>2</sub> per kWh for 2016.

<sup>4</sup> Due to business travel (flight and railway journeys)

<sup>1</sup> The fleet average's slowed reduction can be explained by a rise in the number of newly registered company vehicles with Otto engines, given the uncertainty surrounding the current legislation for cars.





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## Varied efficiency measures in buildings and processes

In the energy and climate areas, too, we act in line with the global business objectives of the Telefónica, S.A. Group. We actively support its targets of reducing electricity consumption per data volume by half by 2025 and greenhouse gas emissions by 30% as for 2020. In the supply chain, we have identified material impacts with regard to greenhouse gas emissions and energy consumption as well as water scarcity and air pollution. However, our influence on these aspects is limited as the impacts originate in the preliminary stages of our direct suppliers.

That is why the Telefónica Deutschland Group is working specifically on making the energy supply of its own operational processes as climate-friendly and efficient as possible. Thus, an important focus here is reducing the ecological footprint of our offices and shops. This is why, for instance, we left the old building on Georg-Brauchle-Ring in Munich. Since June 2018 now, all Munich employees have been working together at the headquarters in the O<sub>2</sub> Tower. We have implemented a modern concept of [workspace sharing](#) via which we can also use the available office space more energy-efficiently. In addition, the lighting is controlled partly automated via the building services management system in order to avoid unnecessary energy consumption. Through the move, we were able to save more than 6,300 MWh energy in 2018 alone.



We are also providing for more energy efficiency in facility management at our Düsseldorf premises: the data centre there is supplied with energy from two combined heat and power plants, meaning the site is therefore making an effective contribution to improving our energy balance and climate footprint. By mid 2019 we will also consolidate the site and reduce the space utilised by one third.





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Today, 100% of the energy used to operate the Telefónica Deutschland Group's central logistics site for mobile-communication hardware in Harsewinkel already comes from renewable sources. The warehouses' warm-water treatment and the heating and cooling are powered by geothermal energy; what is more, a new photovoltaic plant ensures the supply of solar power. At our premises in Teltow, our workplace lighting is partly sensor-controlled, which is a particularly energy-efficient and user-friendly solution.

Since 2013 now, we have been taking part in Deutsche Post DHL's GoGreen programme for the dispatch of documents from our customer centres. This compensates for any CO<sub>2</sub> emissions created in the process; in 2018 1,267 t CO<sub>2</sub>eq were compensated for in this way.

#### ENERGY & CO<sub>2</sub> REDUCTION IN THE DIGITAL WORLD

## Energy transformation digital

Can digitalisation also bring added value for people when it comes to the energy transformation? We think it can! That is because for our company, this is the dawn of a new age of intelligent energy supply and generation. In future, demand for energy will adapt more to needs; and sustainable sources of energy will play an important part in this. A tailor-made electricity supply will create new opportunities and models for the market. Smart grids will form the foundation for this because soon, all energy system components will be connected to modern communications and information technology such as IoT solutions.

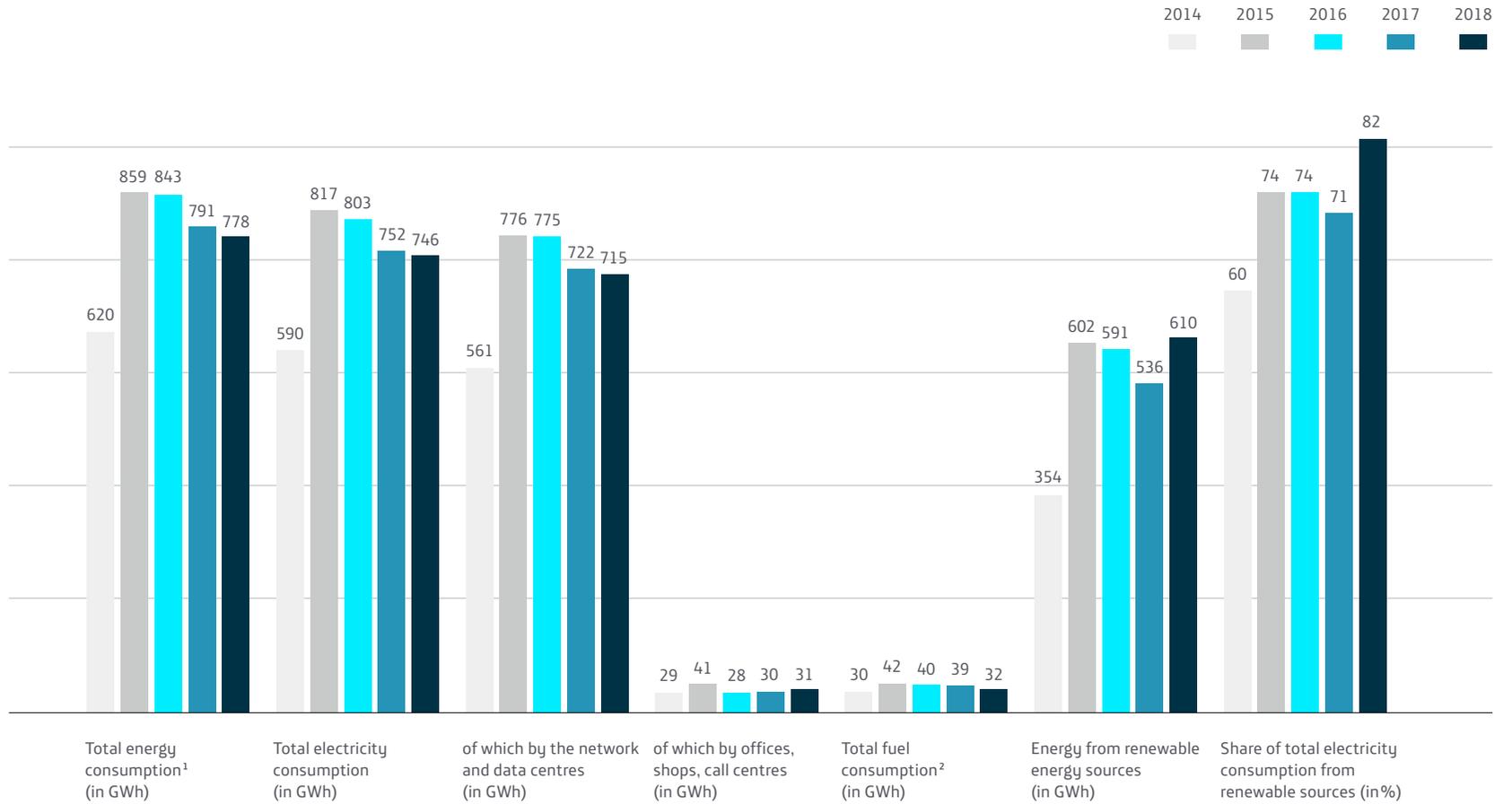
We will make use of the opportunities that result from these and offer our customers solutions for environmentally friendly innovations. We are actively driving this forward, for example, together with NEXT Kraftwerke GmbH in Cologne. This technology company is able to connect thousands of electricity generators and consumers to form a virtual power plant using an intelligent network. Together with M2M Global SIM, Telefónica offers fitting solutions to connect the management elements of NEXT power plants at each generation location, independently of the operator, with any mobile communications network available in the area. Connected devices worldwide operate in this way with reliable connectivity.

*“Telefónica is supporting the energy industry on its way to the decentralised energy transformation through the range of new IoT solutions.”*

*Jürgen Pollich, Head of M2M/IoT & Fixed Connectivity*



ENERGY CONSUMPTION 2014–2018



<sup>1</sup> Network electricity consumption equals the number of mobile-telephony and fixed line sites multiplied by an average electricity consumption figure per site. This was determined on the basis of historical consumption data.  
<sup>2</sup> Fuel consumption (in the form of diesel, natural gas and district heating) comprises only the units provided via a direct contract between a supplier and the Telefónica Deutschland Group (72% of data centres and office buildings, 4% of call centres and 13% of shops (by area in square metres)) and does not include those units that are managed via the lessor.

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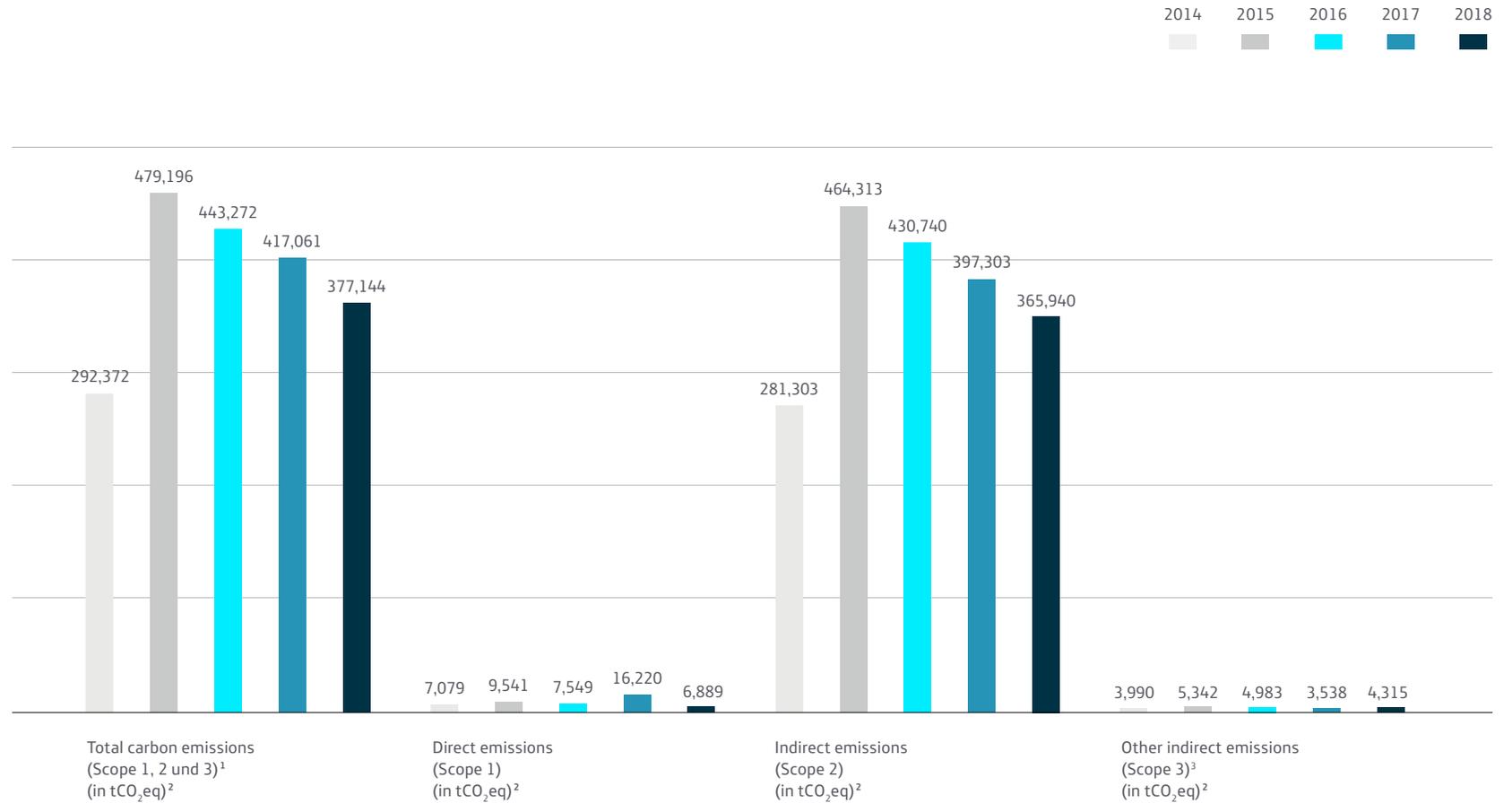
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GREENHOUSE GAS EMISSIONS 2014–2018



<sup>1</sup> Carbon emissions (incl. Scope 1 and Scope 2 as shown above) are calculated on the basis of ISO 14064, Greenhouse Gas Protocol and ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions, irrespective of the fact that 71% of this was sourced from renewable energy sources (previous year: 74%). The Telefónica Deutschland Group uses the electricity conversion factors of the Umweltbundesamt, the Federal Environment Agency, (527 g CO<sub>2</sub> per kWh for 2017; 535 g CO<sub>2</sub> per kWh for 2016; 569 g CO<sub>2</sub> per kWh for 2015). This has, however, not resulted in fundamental changes in trends.

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

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





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# Focusing on saving resources and avoiding waste

## Commitment

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

### BASIC PRINCIPLE

## Saving resources and avoiding waste

Our environment and energy policies primarily focus on saving valuable resources and responsibly dealing with waste. To achieve this, we optimise our processes continuously and use digital solutions.

The reduction of waste is something that the Telefónica Deutschland Group strives for across all processes. We consistently ensure that statutory environmental standards are observed when disposing of unavoidable waste.

### PROCESSES & MANAGEMENT

## Specific measures for the Telefónica Deutschland Group and its customers

In the course of the consolidation of the two networks of the Telefónica Deutschland Group and the E-Plus Group, thousands of base stations were dismantled or modernised. The valuable waste arising from the dismantling process is recycled by certified companies exclusively. The type of disposal for materials that arise such as metals and electronics is regulated by specific waste guidelines with defined processes. Old hardware in our offices, call centres and data centres is continuously being replaced with models

that are new, powerful and more energy-efficient. In order to keep this hardware in use, we continued our cooperation with the charity AfB, which stands for Arbeit für Menschen mit Behinderung (Work for People with a Disability) in 2018. AfB processes electronic hardware such as disused laptops or monitors and offers them back to the market. Devices that are no longer marketable are disposed of expertly. In 2018 over 41 tonnes of discarded hardware was collected; of this, almost 29 tonnes was reusable following reconditioning.

### MEASURES

## Continuously reduced paper consumption

Saving our natural resources is an important issue for us. One of the targets that we have set ourselves is to reduce paper consumption in offices, shops and call centres by the end of 2018 by 2% compared with the previous year. We managed to attain our target for 2018 in particular through a commitment to saving resources, using the opportunities of digital applications and changed ways of working. Furthermore, there is still savings potential available in the share of our customers' online bills. To realise this, the share is to be expanded by 2% annually compared with the basis value of 90.4% in 2015.





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Only recycled paper with Blauer Engel certification is procured for our offices, call centres and shops. We enable our employees to save paper by setting up structures and processes in the company that make digital document administration easier.

Our digital service strategy also aims to gradually reduce the use of paper in customer service. We simplify customer dialogue, for example through sending online invoices or via our digital services such as apps and assistants, which we continuously improve in order to provide customers with the information they require.

The Telefónica Deutschland Group has been committed to recycling mobile phones for more than 16 years now, and since 2015 it has worked in close partnership with NABU.

In the same year, AfB became our partner for the expert disposal of the collected mobile phones. Via our [mobile-phone recycling programme](#), we enable consumers to dispose of their old devices responsibly. This sees the data on working mobile phones deleted via a certified process and the devices processed for remarketing, where possible, by AfB. In comparison with the production of a new mobile phone, this process causes fewer emissions and requires less metals and energy. Devices that are no longer usable are destroyed mechanically and brought to a smelting plant in Europe for resource recovery. AfB now employs three full-time staff to handle this [mobile-phone recycling programme](#); two of these employees have a disability. For every received mobile phone,



the Telefónica Deutschland Group makes a financial contribution to NABU. These funds are put to a great extent towards the restoration of the lower Havel river, the largest river restoration project in Central Europe.

O<sub>2</sub> mobile-communication customers can discover what impact their mobile phone has on the environment and society using the [Eco Index](#). The index provides a great deal of information on energy consumption, CO<sub>2</sub> emissions, disposal channels, social standards in production, and raw materials of mobile-communication devices. By the end of 2018 the Eco Index covered 92% of our smartphones and feature phones whose manufacturers take part in the eco-rating.

We specifically integrate our stakeholders into our activities. For instance, we have entered into among others cooperations for climate protection; examples are our participation in the Germany-wide dialogue forum "Wirtschaft macht Klimaschutz" (Economy Does Climate Protection) and the [Umweltpakt Bayern \(Bavarian Environmental Pact\)](#). A further format is the [Klimapakt Münchner Wirtschaft \(Bavarian Business Climate Pact\)](#) corporate mobility management programme. Here, we intensively exchange information with other large-scale enterprises and medium-sized businesses in order to coordinate our procedures and influence politics in a way that serves the objective of climate protection.





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PROGRESS IN THE REPORTING YEAR

## We give old phones new life

Increasingly digitalising our processes means we have been able to significantly reduce paper consumption in offices, shops and call centres. This is where our resource conservation focus was in 2018. Through this approach involving careful use, using the opportunities afforded by our digital environment, changed ways of working and particularly the reorganisation of central procurement, it has been possible to reduce the amount of paper we consumed by 23.7 t, or 23.8%, compared to the previous year. The share of online bills that we send to customers amounted to 89% at the end of the past year. We will continue to precisely analyse our paper consumption in the years ahead and, if necessary, develop further programmes to save what is an important resource for us.

We were also able to collect 58,374 old mobile phones in the past year through our mobile-phone recycling programme; this is about the same amount we gathered the previous year (2017: 58,557). Of these, 57,015 old mobile phones were recycled and 1,359 were remarketed. The Telefónica Deutschland Group donated a total of EUR 93,398 to NABU. The Telefónica Deutschland Group also collected another 38,068 used end devices outside the mobile-phone recycling programme. Therefore, a total of 96,442 old mobile phones were accumulated in 2018.

CONSERVATION OF RESOURCES IN THE DIGITAL WORLD

## Our mobile-phone collection programme treasure trove

Without digital devices like smartphones and tablets, the digital transformation would be unthinkable. At the end of their useful lives, they must be disposed of properly. Recycling them allows us to regain valuable raw materials such as gold, silver, cobalt and palladium.

In the area of recycling mobile phones, the Telefónica Deutschland Group has committed itself since 2015 together with NABU and AfB, which makes all work processes in the company barrier-free so that people with and without disabilities can perform the work together.

In addition to defective old mobile phones, we also collect mobile phones that have been lying around in drawers and can still be used. First, the hardware of the collected devices is processed by AfB and existing data is deleted using a certified process. Then AfB sells devices that are still in working order. Devices that no longer work are disposed of expertly.

For every mobile phone that we collect, we make a donation to NABU for the restoration of the lower Havel river, the largest river restoration project in Central Europe. Bringing your old mobile phone to Telefónica means you are protecting the climate and nature and at the same time supporting a social enterprise and environmental projects in Germany.

*“For us, taking responsibility for digitalisation also means creating an attractive offering to encourage people to recycle used mobile end devices, or, better yet, continue to use them.”*

*Joachim Sandt, Environmental Management Officer*





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# Safeguarding health in mobile communication

## BASIC PRINCIPLE

### Commitment to the health of our customers

Protecting the health of our customers, people living near our operations, and our technicians is a high priority. This includes ensuring our mobile-network base stations comply with radiation limits; we calculate and check these carefully. In addition, we make certain the mobile phones that we sell comply with electromagnetic limits. Transparent information and advice is made available to our customers through our channels. The Telefónica Deutschland Group made a commitment to the German government regarding this back in 2001. The fulfilment of these requirements is reviewed continuously through external expert assessments.

## PROCESSES & MANAGEMENT

### Strict adherence to statutory requirements and limits

We strictly monitor the fulfilment of statutory requirements and limits when our networks are implemented, maintained or adapted to new technologies. This is also confirmed by corresponding approval from the relevant authorities. To verify compliance, teams continuously perform internal audits at the mobile-network locations serviced by our technicians and service providers.

## MEASURES

### Creating added value through transparency and exchange

The SAR value was defined in order to measure and evaluate any effects mobile phones may have on people. This value reflects the maximum power absorbed by the body during mobile-communication use. The EU has set the limit for the SAR value when making phone calls at 2W/kg; this must be complied with in accordance with the EN 50360 and EN 50361 standards. The SAR values of mobile phones are mostly considerably below these limits, as their transmissions are automatically regulated and reduced when necessary. Telefónica Deutschland Group customers can visit our shops or [www.o2.de](http://www.o2.de) to find out the precise SAR value of their mobile phone as well as generally find information on the subject of safeguarding health.

We closely integrate our stakeholders into all measures. The local authorities are above all important partners when we set up or expand our telecommunication infrastructure. In 2016 we supported, for example, the [Mobilfunkpakt Bayern](#) (Bavarian Mobile-Phone Pact) implementation of the promotional programme for mobile-telephony measurements and forecast calculations. We also take part in annual discussions with the leading local organisations and the Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)) with regard to the implementation of the commitment.

Close interaction on best practice within the Telefónica, S.A. Group provides us with valuable stimuli. The Telefónica Deutschland Group likewise benefits from its involvement in international organisations, institutions and research networks focusing on analysing electromagnetic fields.

We share our knowledge publicly through running the industry association's Internet portal [www.informationszentrum-mobilfunk.de](http://www.informationszentrum-mobilfunk.de). Here, a lot of information can be found on consumer protection and the societal embedment of technological development in the area of mobile communication.

We carry out regular mobile-communication & health training measures and workshops within the Telefónica Deutschland Group. Experts and scientists provide information on the current trends and findings on the subject of safeguarding health in the area of mobile communication.





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# Materiality according to CSR-RUG

Telefónica Deutschland Holding AG prepared a separate combined non-financial Report for the financial year 2018 in accordance with the “Act to strengthen non-financial reporting by companies in their management reports and financial statements” (CSR Directive Implementation Act, (CSR-RUG)) that has been integrated into this CR Report. The following presents the location of material topics for the purpose of CSR-RUG in the CR Report and the procedure for determining these topics.

The non-financial Report was audited by the external audit firm PricewaterhouseCoopers GmbH in accordance with ISAE 3000 (Revised) with “limited assurance”.

In preparing the non-financial report, we based our descriptions of the concepts and presentation of the various key performance indicators (KPIs) in particular

on the GRI Standards. References to disclosures made outside of the Combined Management Report relate to supplementary information and do not constitute part of the separate combined non-financial Report.

## Location of material topics according to CSR-RUG in the report

The contents of the Non-Financial Report, which contains information about both the Telefónica Deutschland Group and the Telefónica Deutschland Holding are featured on individual pages in the report, which are marked with a light blue bar at the right margin with the icon .

The following table indicates on which pages of the CR Report the legally required information can be found.

CONTENT RELEVANT TO THE REPORT	CHAPTER IN THE CR REPORT	PAGE
Business model	Portrait of the Company	9
Customer satisfaction	Customer Satisfaction	25–27
Data protection and information security	Data Protection and Information Security	60–62
Climate protection	Environmental Management Energy & CO <sub>2</sub> Eeducation	68–71
Attractiveness as an employer	Employer	34–36
Sustainable innovations	Sustainable Innovations and Products	48–50
Anti-corruption	Compliance	31

## Process for determining the material issues as per CSR-RUG

To prepare the Non-Financial Report, in 2018, in line with the previous year, we analysed and evaluated sustainability issues in terms of the legal requirements. Our materiality analysis from 2015 serves as the basis for this process. The analysis is set out in greater detail in the chapter “CR strategy”.

### Impact analysis

We verified the impact analysis in 2018 in order to update the materiality analysis. Based on this, we identified 15 of the present 25 issues within the materiality analysis as being subjects upon which the Telefónica Deutschland Group has a significant influence. In the course of this, the topics were above all assessed with regard to the following aspects:

- Significance of the impacts of the Telefónica Deutschland Group
- Ability of the Telefónica Deutschland Group to influence the impacts
- Consequences of the impacts for the Telefónica Deutschland Group



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**Analysis of business relevance**

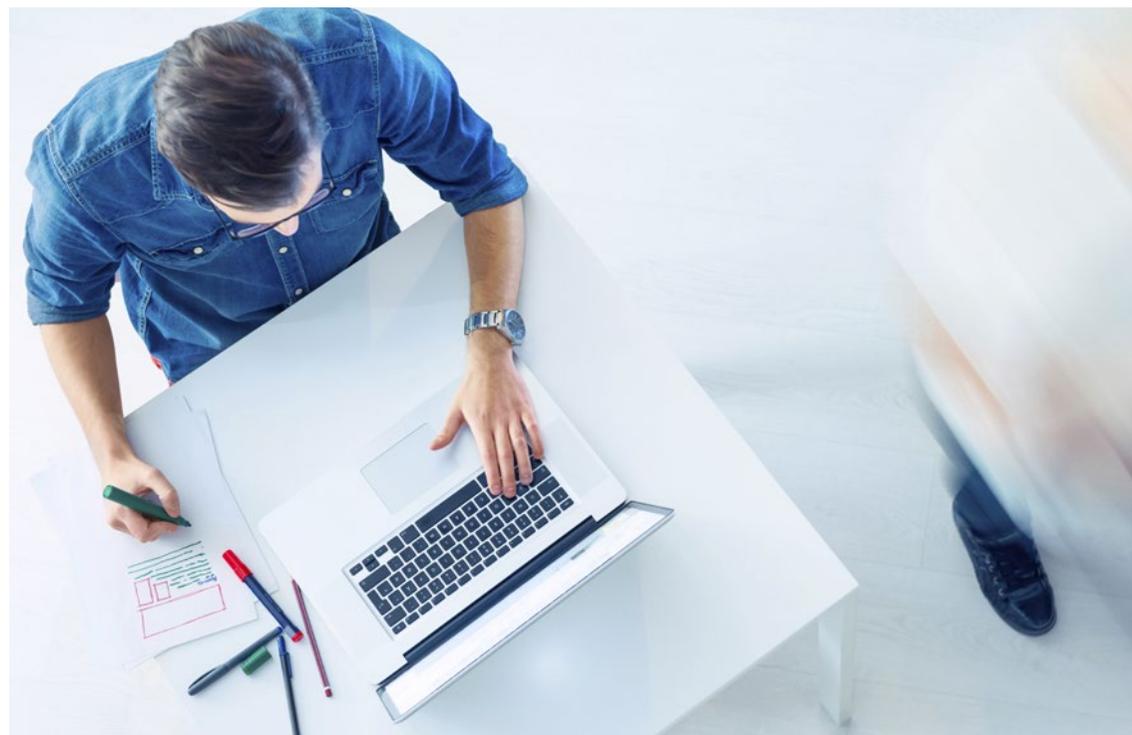
Following the impact analysis, we used set evaluation aspects to determine the relevance to business of the issues identified as material. In the process, the focus was on topics that are relevant to the course of business, the business result and the situation of the Telefónica Deutschland Group. The relevant internal stakeholders were involved here. Six issues were identified as being material in this analysis, four of which can be categorised as relevant in terms of environmental, social and employee aspects or anti-corruption/anti-bribery. We rated the aspect of human rights as not material for presentation for the purposes of CSR-RUG. The topics of customer satisfaction, data protection and information security were also identified for and incorporated into the Non-Financial Report. These additional topics are highly relevant to the Telefónica Deutschland Group's business, and the company has relevant impacts on these topics.

**Determination of material non-financial risks**

This was followed by an assessment of the risk scenarios in terms of their probability of occurrence and their potential to have a detrimental impact on the non-financial issues as defined above. In line with the criteria of established risk management (detailed description under risk and opportunity management in the Combined Management Report 2018), we have performed a net assessment of the risks. Based on the probability of occurrence already determined, a conservative approach was adopted in which risks were considered with a probability of occurrence

deemed to be "likely" or "highly likely". The potential for the risks to have a detrimental impact on the relevant aspects was determined on the basis of the criteria relating to the severity of the impacts on an aspect, the number of people actually or potentially affected and the possibility of restoring the original condition before the impact occurred.

In this risk assessment, we only identified the potential for material risks pursuant to CSR-RUG in the area of customer satisfaction, which we are counteracting with comprehensive measures (see "Customer Satisfaction" chapter).



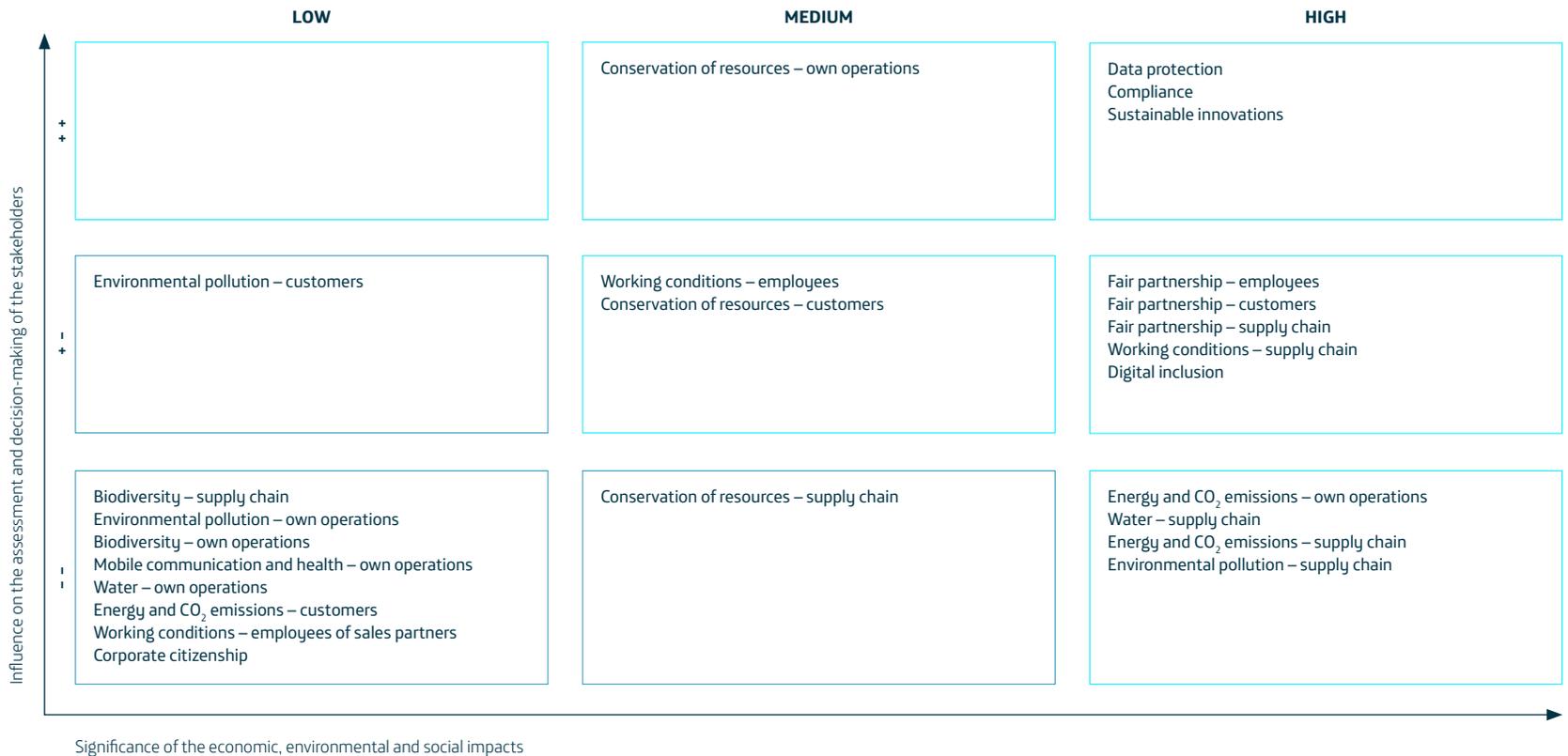


# Materiality according to GRI

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

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

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



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CLASSIFICATION ACCORDING TO GRI

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





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CLASSIFICATION ACCORDING TO GRI

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





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# CR issues from a human rights perspective

The Telefónica Deutschland Group has made a commitment in its [Business Principles](#) to observe the United Nations' Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO). In the context of establishing material CR topics, we have also included human rights issues in the analysis and in our CR strategy. Our current commitment to protecting human rights is described in the chapters "[Compliance](#)" and "[Supplier Management](#)".

## Nine human rights fields of action form the analysis framework

In order to prioritise relevant human rights issues more precisely, in 2018 the Telefónica Deutschland Group expanded its endeavours up to that point to include a human rights risk analysis. This is oriented to the requirements of the five core elements of the NAP. The starting point of this analysis was identified on the basis of relevant international and human rights frameworks – such as the United Nations' Universal Declaration of Human Rights and the ILO's labour and social standards – nine human rights fields of action that could be of relevance to the Telefónica Deutschland Group.

## Analysis of human rights issues started for first product group

As a first step, we have identified the product group mobile phones and mobile-phone accessories for the human rights risk analysis. This product group is of especially high relevance to us, as it represents a large share of our total purchasing volume. Moreover, particularly the branched value chains of mobile phones and mobile-phone accessories are potentially affected by human rights violations. Reports on the use of what are known as conflict minerals (such as tin, coltan and gold) are increasing and the production conditions have been criticised many times.

We first identified the individual steps of the value chain for mobile phones and mobile-phone accessories and pooled them in clusters – from mining of raw materials to manufacturing and disposal. On this basis, we are in the process of determining the most important countries along the value chain for mobile phones and establishing which risks that potentially come under the heading of human rights could occur in these countries.

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

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





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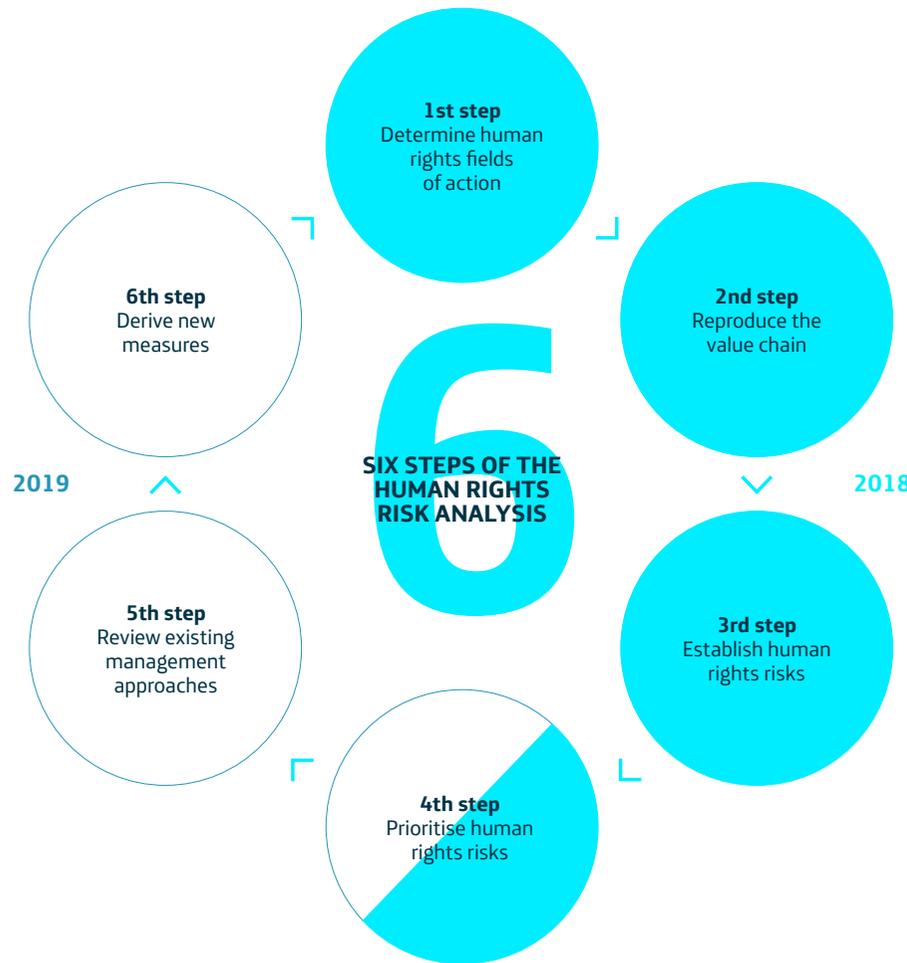
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HUMAN RIGHTS RISK ANALYSIS PROCESS FOR 2018/2019



Next steps in 2019

In 2019 we will prioritise the identified risks and on this basis, we will examine to what extent our existing management approaches cover these risks. At the same time, we also want to examine how we can contribute to reducing these risks through targeted measures and adjust our existing management approaches to that effect. In the course of this, we intend to regularly check existing and new measures with regard to effectiveness and review at which points we can reach affected people using targeted complaint mechanisms.

In addition to our Business Principles, our [SCSP](#), [Human Rights Commitment](#) and [Digital Manifesto](#) (Telefónica, S.A. Group), we are currently creating a declaration of principles on respecting human rights. We will report on further progress in our next Sustainability Report.

We understand engaging with the subject of human rights and carrying out appropriate risk analyses for the purposes of the NAP to be an ongoing process that has to be continuously adjusted and developed. In future, we intend to include further product groups in the risk analysis.





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# SDG Declaration

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

actively supporting the attainment of the SDGs within the framework of individual CR topics. On the level of the ambitions formulated in our Responsible Business Plan 2020 we have selected three of the 17 SDGs to be particularly focused on within the scope of our CR

strategy. Through our activities in the three CR focus areas, we particularly intend to contribute to the shown subgoals of the respective SDGs in the graphic below.

### RESPONSIBLE BUSINESS

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

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

### STRENGTHENING LIFE IN THE DIGITAL WORLD

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

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

### ENVIRONMENTAL AND CLIMATE PROTECTION

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

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





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# Responsible Business Plan 2020: 2018 Status

We measure attainment of the ambitions and commitments laid out in our Responsible Business Plan 2020 using certain indicators. In this CR Report,

we present our status at the end of 2018 (target attainment as at 31 December 2018) and how we will proceed further.

## RESPONSIBLE BUSINESS

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



### A LOOK AT 2018:



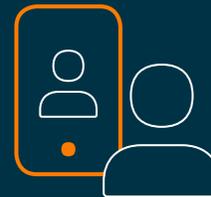
"Industry Leader" in Sustainalytics ESG ratings

Employee Engagement Index result: 75

Customer Satisfaction Index result: 7.49

## STRENGTHENING LIFE IN THE DIGITAL WORLD

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



### A LOOK AT 2018:



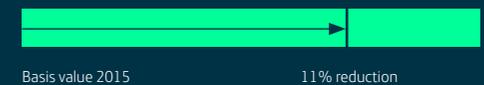
5.1 million people inspired digitally through Think Big

47 million people benefit from our offering

Support for 1.3 million interested people through O<sub>2</sub> Gurus

## ENVIRONMENTAL AND CLIMATE PROTECTION

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



### A LOOK AT 2018:



9.6%  
LESS CO<sub>2</sub>  
in comparison  
with 2017



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# Compliance

## Our commitment

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

## 2018 status



## OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
We are continually improving our compliance management system and have reached our milestones for 2018.		The target will be pursued until 2020.
By the first quarter of 2018 we will put at employees' disposal an app for their smartphones/tablets that contains important information, news and contacts regarding the subject of compliance.		
		We conduct an annual employee survey regarding the quality of our compliance programme and the awareness of our employees. The Group-wide survey covers all Telefónica Deutschland Group employees. On completion, we analyse the results to see if there are potential fields of action where there could be improvement.
We will strengthen our prevention measures in the area of anti-corruption and will offer our employees a new training option on the subject in 2018.		We review our internal compliance training concept regularly and continually adjust it to meet operational requirements. At the same time, we strive to ensure legal regulations are adhered to.

<sup>1</sup> CR target was not implemented due to other priorities





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# Supply chain

## Our commitment

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

## 2018 status



## OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
We will continuously bring the purchasing processes of Telefónica Global Services (TGS), the specialist departments of the Telefónica Deutschland Group, the CR department and the contact with suppliers into line with the SCSP by the end of 2020.		The target will be pursued until 2020.
We will continue to perform the risk analyses of suppliers every two years (the next analysis will be conducted in 2018) and by 2020 set up a system aimed at improving the sustainability performance of suppliers identified as posing a risk.		The target will be pursued until 2020; the next analysis will be conducted in 2020.





## Employer

### Our commitment

In the years leading up to 2020 we will position ourselves internally and externally as an attractive employer and achieve generally good to very good results in our employee surveys.

### 2018 status



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#### 2018 TARGET

In a dynamic market environment, we will steadily optimise our corporate structure, develop management and cooperation and offer our employees flexible working models with regard to time and place:

- Development of new agile forms of organisation in order to promote the interdisciplinary cooperation and quick decision paths. By 2020 at least three to five agile forms of organisation will be implemented.
- Continuous consideration of what kind of management and cooperation is sensible in which situation and area and enabling the executives and employees to execute this. A corresponding definition will be available once the Leadership Principles have been implemented.

Development of flexible working models with regard to time and place. By 2020 100% of office employees (excluding retail and customer service) will be equipped with laptops and business mobile phones.

We will carry out an annual anonymised employee survey with a return rate of 70% until 2020. Subsequently, we will engage within the framework of action planning in an open dialogue on the executives, who will receive appropriate aids.

#### 2018 TARGET ATTAINMENT



#### 2019 TARGET

In order to position our company for long-term success in a dynamic market environment, we are establishing a smart, flexible and efficient organisation. This includes the following points:

- Promoting agile thinking and working methods as well as cross-functional cooperation and networking. We measure the effectiveness of our initiatives against our agility index, which we are introducing in 2019 (determined during the pulse survey).
- Promoting new management skills in order to strengthen our executives in their roles and responsibilities:
  - as enablers and linkers for employees and teams
  - as promoters of an open dialogue and targeted learning culture (determined during the pulse survey introduced in 2019)
  - as drivers of our sustainable success (determined during the pulse survey with the Leadership Index)
- We prepare our employees for future tasks and offer them attractive internal opportunities for development. In this context, we aim to increase employee mobility in the company by 2020. As the first step, we are therefore launching a new employee mobility platform in 2019.

In addition to regular pulse surveys, we conduct an annual anonymised employee survey; with this, we aim to achieve an engagement index score of 75% by 2020. Following completion, we start an open dialogue on the results of the survey within the framework of our action planning and we provide our executives with the corresponding tools for this.

#### LEGEND

Target attainment level as at 31 December 2018





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2018 TARGET

2018 TARGET ATTAINMENT

2019 TARGET

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

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



The target remains; however, it is no longer being focused on within the framework of the CR targets.

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



The target remains; however, it is no longer being focused on within the framework of the CR targets.

Our attractiveness as an employer in the market is reflected in the numbers of external applicants.



The target remains; however, it is no longer being focused on within the framework of the CR targets.

An important component of employer attractiveness is a corresponding remuneration system for employees of Telefónica Germany GmbH & Co. OHG. By the end of 2018 we will therefore introduce a fair, transparent and attractive remuneration system that facilitates fluent development.



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



The target remains unchanged.

LEGEND

Target attainment level as at 31 December 2018





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# Customers

## Our commitment

We offer our customers the best product and service experience, the latest innovations and a modern network infrastructure. By 2020 we will offer one of

the best customer services in the industry with a high level of customer satisfaction.

## 2018 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
<p>We will continuously improve our customer service according to the needs and wishes of our customers. Until 2020 we will focus on:</p> <ul style="list-style-type: none"> <li>the continuous optimisation of our service channels</li> <li>the digitalisation of our service offering at o2online.de and our My O<sub>2</sub> app and the piloting of new digital contact opportunities (e.g. messaging, chatbots)</li> </ul>		<p>We will continuously improve our customer service according to the needs and wishes of our customers. We will focus on the continuous optimisation of our service channels.</p>
<p>We will invest consistently in our network infrastructure and while doing so orient ourselves towards the actual benefit for our customers in order to be able to provide our customers with the best network experience.</p>		<p>The target remains.</p>





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## Digital inclusion

### Our commitment

We make people of all age groups fit for the digital world. With Germany-wide support programmes such as Think Big, "Digital mobil im Alter – Tablets

für Senioren" and our O<sub>2</sub> Gurus, we will in the years leading up to and including 2020 provide inspiration and support to 10 million people.

### 2018 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
<p>By the end of 2018 we will have digitally inspired and reached more than 7,500 young people (70 funded projects with more than 1,300 participating young people and over 6,200 further young people inspired digitally and supported in the development of their digital skills online and offline). With that, we will by the end of 2018 have reached more than 115,000 young people with Think Big since 2010 and given them digital, communication and entrepreneurial skills they need to be capable of acting in the digitalised world and ensuring they are equipped for their later working and professional life.</p>		<p>The youth programme Think Big will come to an end in May 2019. The focus in 2019 will be on in-depth stakeholder discussions to gain relevant impulses for the development of a new commitment approach for the Telefónica Deutschland Group.</p>
<p>With the programme "Digital mobil im Alter – Tablets für Senioren", we want to together with Stiftung Digitale Chancen in 2018 reach at least 2,900 elderly people Germany-wide (of which approx. 2,000 are project participants (including online users) and 900 are opinion leaders of senior citizen age). This is in addition to 600 further opinion leaders of younger age. Achieving this with our loaned-out tablets will ensure we contribute to senior citizens gaining access to the digital world, breaking down barriers to use through increased technical understanding and putting the benefits to use in their everyday lives. Through holding events to establish interest-led media literacy education for senior citizens, we also want to set up new networks and strengthen existing ones.</p>		<p>With the programme "Digital mobil im Alter – Tablets für Senioren", we want to together with Stiftung Digitale Chancen in 2019 reach at least 3,250 elderly people Germany-wide (of which approx. 2,500 are project participants (including online users) and 750 are opinion leaders of senior citizen age (approx. 50% of all opinion leaders are themselves senior citizens)).</p>





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2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
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- O<sub>2</sub> Guru:
- With the O<sub>2</sub> Gurus, we will provide inspiration and support to people of every age via all channels in order to make digital technologies accessible to the people and help them solve technical issues.
  - We will integrate information materials for children, young people and parents on the competent use of smartphones and the Internet of Things among the O<sub>2</sub> Gurus. This information will be directly integrated into advice and sales when customers purchase products for their children who are still minors.
  - O<sub>2</sub> Gurus and the associated Guru workshops will be continued, kept thematically relevant and optimised in a methodically constant way.



Our customer service Gurus will also support customers in 2019 in all challenges that they may face in using digital services and products in 2019. This will be done via the hotline, chats, video chats, webinars and Helping Hands videos on the official O<sub>2</sub> YouTube channel. The first online webinars are also planned for 2019.

The Gurus are also part of our commitment strategy; for example, they communicate to parents and children how to use the Internet safely in special Guru workshops, educational videos and portal articles.

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



The target remains unchanged.

In 2018 we will develop an engagement strategy for media protection and media literacy education.



<sup>1</sup> CR target was not implemented due to other priorities

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## Sustainable innovations and products

### Our commitment

In the years leading up to 2020 we will push technologies to simplify linking up people, devices and machines in the private and industrial world. The goal

is to support our customers in the realisation of new products and business models in order to give all areas of society access to digital products.

### 2018 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
Better quality of life for senior citizens by 2020: we will develop the digital infrastructure for extended care of senior citizens by means of intelligently connected sensors and applications and put these at business partners' disposal, so more people can live independently into old age and therefore not be permanently dependent on on-site assistance.		
Increase in general health awareness by 2020: we will offer a consumer-oriented platform for the Internet of Things that, among other things, enhances sportswear with multiple sensors and analysis programmes to go with them, so exercisers can gain an insight into their vital signs.		
Digitalisation of the energy transition by 2020: we will provide the digital infrastructure for successfully networking intelligent measurement systems (smart grids/smart meters). Together with our partners, we will offer solutions which provide customers with more transparency regarding their energy consumption.		The target remains unchanged.
Networked mobility and reduction in CO <sub>2</sub> fleet emissions in the years leading up to 2020: we will supply analysis applications for company vehicle fleets to improve driver safety, reduce fuel consumption and lower maintenance costs. Moreover, we will offer telematics solutions that will give our customers more transparency, enabling them to keep to the statutory requirements for average CO <sub>2</sub> fleet emissions.		The target remains unchanged.

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2019 TARGET

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



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



The target remains unchanged.

LEGEND

Target attainment level as at 31 December 2018





## Data protection

### Our commitment

We are therefore committed to helping customers maintain control of their data and confidently shape their digital life. We protect the data of our customers, employees, partners and investors in all products and processes and ensure the Telefónica Deutschland

Group's business activities comply with data protection regulations. Our conduct is straightforward and transparent and we exchange information relating to innovations with all relevant interest groups in good time.

### 2018 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
"Privacy by design/default": the departments are involved in planning and designing new products and processes and receive advice on data protection aspects.		In 2019 we will introduce a digital tool for data protection advice and management in the company.
We are adapting our internal training concept for data security continuously to company and legal prerequisites, therefore guaranteeing compliance with the statutory provisions. It is in this context that the implementation of the EU's General Data Protection Regulation and the adaptation of the corresponding training and information measures will take place by the end of 2018.		We are adapting our internal training concept for data security continuously to company and legal prerequisites, therefore guaranteeing compliance with the statutory provisions. In relation to this, we will in 2019 conduct an awareness campaign for all employees throughout the company.
We are in regular and constructive dialogue with external stakeholders such as the Bundesnetzagentur (Germany's Federal Network Agency) and the German Federal Commissioner for Data Protection and Freedom of Information (BfDI).		The target remains unchanged.
By the end of 2018 we will inform employees, customers and suppliers in a transparent, clear, goal-oriented and comprehensible way regarding our data processing.		

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2018 TARGET

In the area of corporate security, we will focus on the following measures in 2018:

- Implementing and optimising an information security management system (ISMS) for the merged company in line with the ISO 27001:2013 standard
- Setting up a fully functional governance structure
- Optimising information security in all relevant divisions and their processes
- Expanding the corporate-security emergency centre
- Expanding security assessments in the Telefónica Deutschland Group

2018 TARGET ATTAINMENT



2019 TARGET

In the area of corporate security, the following measures will be focused on in 2019:

- ongoing optimisation of the existing information security management system (ISMS) in a periodic improvement cycle based on the ISO 27001:2013 standard
- optimisation of operational security within the framework of the Zero Impact programme that is underway. Targets for 2019 are the finalisation of the generic threat catalogue and the launch of a company-wide analysis phase.
- Implementing security assessments in the Telefónica Deutschland Group in accordance with the coordinated annual planning

LEGEND

Target attainment level as at 31 December 2018





## Energy and CO<sub>2</sub> reduction

### Our commitment

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

### 2018 status

#### Energy consumption per data volume



#### 100% of energy from green sources



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
<p>By 2018 or 2020 we will have implemented the following energy efficiency measures in the area of the network:</p> <ul style="list-style-type: none"> <li>• Modernisation of 2G networks (saving to be expected 6 GWh) and 3G networks (saving to be expected 1.5 GWh) by the end of 2018</li> <li>• Site deactivation by the end of 2018 of approx. 15,000 network units within the framework of network consolidation and modernisation, saving of approx. 202 GWh</li> <li>• Successive saving of approx. 50 GWh through deactivation of DSL main distributor by 2020</li> </ul> <p>The savings made through energy efficiency in operating business activities (opex) should amount to EUR 15 m by 2020.</p>		<p>By 2019 or 2020 we will have implemented the following energy efficiency measures in the area of the network:</p> <ul style="list-style-type: none"> <li>• Modernisation of 2G networks (saving to be expected 6 GWh) and 3G networks (saving to be expected 1.5 GWh) by the end of 2019</li> <li>• Site deactivation by the end of 2019 of approx. 15,000 network units within the framework of network consolidation and modernisation, saving of approx. 202 GWh</li> <li>• Successive saving of approx. 50 GWh through deactivation of DSL main distributor by 2020</li> </ul> <p>The savings made through energy efficiency in operating business activities (opex) should amount to EUR 15 m by 2020.</p>
<p>By the end of 2020 we will have achieved the following in the area of CO<sub>2</sub> management and mobility:</p> <ul style="list-style-type: none"> <li>• Reduction in average fleet emissions to 95 g CO<sub>2</sub>/km by means of incentives for company vehicles newly registered from 2020. To achieve this, we will rework the vehicle guideline of the Telefónica Deutschland Group in order to limit the number of vehicles with high CO<sub>2</sub> emissions and financially support electric cars.</li> <li>• 10% reduction in CO<sub>2</sub> emissions arising from business travel (basis year 2015) by 2018 incl. review and development of a new travel policy</li> <li>• Development and implementation of a new concept for emission-friendly travel to and from work by the end of 2018</li> </ul>		<p>By the end of 2020 we will have achieved the following in the area of CO<sub>2</sub> management and mobility:</p> <ul style="list-style-type: none"> <li>• Analysis of the options for supporting electric mobility for our employees' company and private cars – implementation of an internal communications campaign on our employees' carbon footprint when it comes to business travel (rail, flying)</li> <li>• Employees are to receive information on commuting (public transport, ride-sharing, short-term rentals) using apps that are already available on the market</li> </ul>

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2019 TARGET

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

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

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## Conservation of resources

### Our commitment

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

### 2018 status



### OUR OPERATIONALISED CR TARGETS AND MEASURES IN DETAIL

2018 TARGET	2018 TARGET ATTAINMENT	2019 TARGET
We will expand further the share of online bills by 2018 by 2% annually (basis value for total e-bills share from Oct. 2015 of 90.4%) in order to promote more sustainable and paper-efficient behaviour.	 2018 2019 2020 <sup>1</sup>	In order to promote more sustainable and paper-saving behaviour, we will expand the share of e-bills to approx. 90% in 2019. We have planned the following measures for this: <ul style="list-style-type: none"> <li>Combining accounts (customers that currently receive several invoices will only receive one in future)</li> <li>DSL customers will also be able to use the My O<sub>2</sub> app in future, which creates opportunities for switching to e-billing.</li> </ul>
By the end of 2018 we will reduce paper consumption by a further 2% year-on-year in offices, shops and call centres through careful use and leveraging the opportunities offered by our digital environment.		
		Through joint further development with our suppliers, we will optimise further the plastic packaging for the SIM cards produced for us. We aim to deliver a million SIM cards in the new packaging in 2019.

<sup>1</sup> Due to the merger of the E-Plus Group and the Telefónica Deutschland Group, it was unfortunately not possible to attain the originally planned target. Through combining the customers, the basis value has to be adjusted, which has led to us formulating a new target.



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# Overview of key figures

We measure our CR performance based on key figures and present these in the following tables. The key figures are for the Telefónica Deutschland Group and refer to the financial years 2016, 2017 or 2018. For the sake of clarity, the key figures are grouped by topic.

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### ECONOMIC KEY FIGURES

#### KEY FINANCIAL PERFORMANCE INDICATORS:

	UNIT	2016	2017	2018
Revenues	Euros in millions	7,503	7,296	7,320
Revenues from mobile-telecommunications services	Euros in millions	5,437	5,287	5,267
Operating income before depreciation and amortisation (OIBDA) adjusted for special items <sup>1</sup>	Euros in millions	1,793	1,840	1,884
Capital expenditure (capex) Including additions from capitalised finance leases and not including capitalised borrowing costs for spectrum investments	Euros in millions	1,102	950	966

#### OTHER FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS:

Free cash flow before dividend and spectrum payments Free cash flow before dividend and spectrum payments is defined as the sum of cash flow from operating activities and cash flow from investing activities and was calculated minus the interest payments made in relation to spectrum investments.	Euros in millions	1,408 <sup>2</sup>	680	733
Net gearing Gearing is defined as net financial debt divided by the last twelve months' OIBDA adjusted for special items. The net financial debt as at 31 December 2018 rose year-on-year by EUR 65 m to EUR 1,129 m.	As at 31 December 2019	0.4x	0.6x	0.6x
Net new connections, mobile prepaid business	In thousands	-195	-1,903 <sup>3</sup>	-1,338
Net new connections, mobile postpaid business	In thousands	1,453	737	1,002
Customer satisfaction	Index	7.22	7.18	7.49
Employee satisfaction Employee commitment index result in the annual employee survey	%	61	67	74

<sup>1</sup> Special items over the period from January to December 2018 comprised restructuring costs amounting to EUR 84 m and acquisition-related consulting costs in the amount of EUR 2 m; the regulatory effects for the period from January to December 2018 came to EUR 54 m.

<sup>2</sup> This performance indicator includes profits from the sale of the company's passive radio mast infrastructure to Telxius S.A.

<sup>3</sup> This performance indicator includes a technical adjustment of the connections by 1.2 m.





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**ECONOMIC KEY FIGURES**

	UNIT	2016	2017	2018
<b>OTHER PERFORMANCE INDICATORS:</b>				
Payments to employees – personnel expenses Wages and salaries, social security, retirement provision, restructuring expenses	Euros in millions	646	642	610
Sites with certificates for quality (DIN EN ISO 9001), the environment (DIN EN ISO 14001) and energy (DIN EN ISO 50001)	%	100	100	100
Customers: total number of connections	In thousands	49,346	47,604	47,089
Customers: mobile connections	In thousands	44,321	43,155	42,819

**SUPPLY CHAIN:**

The figures here and in the report comprise the volume and number of orders placed by the Telefónica Deutschland Group which were processed by Telefónica Global Services GmbH (TGS). The figures include all the orders up to 31 December of the financial year in question, irrespective of their processing date. The figures stated in previous reports were subject to calculation with effects on all the budget years. All the latest ACM (ACM is a purchasing tool used to manage the purchasing processes) data is taken into account.

Purchasing volume	Euros in millions	4,631	3,334	3,840
of which volume with suppliers in Germany	Euros in millions	3,235	2,249	2,383
Suppliers	Number	778	888	863
of which suppliers in Germany	Number	625	617	596
Proportion of domestic suppliers	%	80	69	69
Proportion of volume of domestic suppliers	%	70	67	62
Number of supplier assessments (SuMa)	Number	43	56	48





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COMPLIANCE	UNIT	2016	2017	2018
Proportion of employees given training in the Business Principles <small>Proportion based on number of Telefónica Germany GmbH &amp; Co. OHG employees not including employees on leave and excluding external consultants. Units of training completed between 1 January 2016 and 31 December 2018 are included in the calculation, as the training cycle lasts three years.</small>	%	82.8	78.5	78
Total number of cases of corruption <small>Confirmed suspected cases that led to measures related to labour law or sanctions</small>	Number	0	0	0
Incidences of discrimination, violation of the Business Principles, investigations into the Telefónica Deutschland Group relating to unfair competition or complaints regarding environmental impacts	Number	2	0	1
Justified objections to advertising conduct	Number	9	5	13
Benefits for political parties	Euros	0	0	0
Sets of proceedings initiated on the basis of data protection violations (Section 109a German Telecommunications Act [TKG])	Number	4	1	0
Sanctions in the form of fines as a result of data protection violations in the current year	Number	1	0	0
Security breaches subject to reporting obligations and incidents relating to information and network security	Number	8	9	36
Sanctions in the form of fines paid in connection with security violations or other incidents relating to network security	Number	0	0	0

SOCIETY	Unit	2016	2017	2018
Donations to not-for-profit projects <small>The figures do not include the monetary value of time donated and donations in kind.</small>	Euros	423,175	426,934	240,093
Participants in the corporate volunteering programme (employees)	Number	127	290	184
Time donated <small>The sum in euros is derived from the voluntary work performed by employees multiplied by eight hours per social day and at an hourly rate of EUR 30.</small>	Euros	18,438	69,600	49,920
Participants in Think Big (young people)	Number	20,453	9,927	9,273
Participants in "Digital Mobil im Alter" (Digitally Mobile in Old Age)	Number	1,249	2,795	4,500





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EMPLOYEES	UNIT	2016	2017	2018
Total number of employees (PIP) at the reporting date of 31 December <sup>4,5</sup> The total number of employees is based on active and inactive salaried employees and temporary staff (incl. working students) independent of their term limitation. TGS/TGR, the holding, trainees, interns, and degree candidates are excluded. 50% of the employees from the Tchibo joint venture are included in the total number of employees (people in place, PIP). There is no need for a regional breakdown of the key employee figures as Telefónica Deutschland Group staff are only employed in Germany.	Number People in place (PIP)	8,843	9,281	8,868
Total employees (FTE) <sup>4,6</sup>	Number Full-time equivalent (FTE)	8,385	8,697	8,295
Part-time employees <sup>4,6</sup>	Number People in place (PIP)	1,539	1,833	1,833
of which women:	Number People in place (PIP)	n/a	1,365	1,367
of which men:	Number People in place (PIP)	n/a <sup>4</sup>	468	466
Full-time employees <sup>4,6</sup>	Number People in place (PIP)	7,304	7,437	7,023
of which women:	Number People in place (PIP)	n/a	2,411	2,195
of which men:	Number People in place (PIP)	n/a	5,026	4,828
Salaried employees with an open-ended contract <sup>4,6</sup>	Number People in place (PIP)	8,096	8,174	7,834
of which women:	Number People in place (PIP)	n/a	3,299	3,114
of which men:	Number People in place (PIP)	n/a	4,875	4,720
Temporary employees <sup>4,6</sup>	Number People in place (PIP)	747	1,096	1,022
of which women:	Number People in place (PIP)	n/a	477	448
of which men:	Number People in place (PIP)	n/a	619	574
Telecommuters <sup>4,6,7</sup>	Number	332	317	314
Employees to whom collective wage agreements apply <sup>4,6</sup>	Number	6,638	7,502	7,588
Share of total number of employees to whom collective wage agreements apply <sup>4,6</sup>	%	Around 75	Around 81	Around 86

<sup>4</sup> The method for determining the employee figures changed in 2018. For comparative purposes, the previous year's figures for 2017 were recalculated. The values for 2016 are based on a different definition and are consequently not comparable.

<sup>5</sup> Total employees incl. 50% of employees from Tchibo joint venture

<sup>6</sup> Total employees excl. 50% of employees from Tchibo joint venture

<sup>7</sup> Staff who by prior arrangement work from home partially or fully.





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Employees with disabilities <sup>4,6</sup>	Number	234	283	288
Trainees <sup>4,6</sup>	Number	83	82	72
Nationalities of employees <sup>4,6</sup>	Number	74	76	74
Women in the workforce <sup>4,6</sup>	Number	3,417	3,776	3,562
Share of women in the workforce <sup>4,6</sup>	%	38.6	40.7	40.2
Total number of senior managers (incl. Management Board) <sup>4,6</sup>	Number	62	53	55
Women in senior management (incl. Management Board) <sup>4,6</sup>	Number	10	8	12
Share of women in senior management <sup>4,6</sup>	%	16	15	22
Employees with disabilities in senior management <sup>4,6</sup>	Number	2	1	1
Nationalities in senior management <sup>4,6</sup>	Number	4	3	3
Female members of the Management Board	Number	1	2	2
Female members of the Management Board	%	33	25	25
Total difference in salaries for men and women: percentage of women's average salary compared with average for men (senior management, middle management, rest of the workforce) <sup>4,6</sup>	%	77	76	77
Difference in salaries for men and women in senior management: percentage of women's average salary compared with average for men <sup>4,6</sup>	%	97	104	100
Difference in salaries for men and women in middle management: percentage of women's average salary compared with average for men <sup>4,6</sup>	%	78	80	83
Difference in salaries for men and women in the rest of the workforce: percentage of women's average salary compared with average for men <sup>4,6</sup>	%	78	80	80
Average age of employees <sup>4,6</sup> Detailed list by age and gender on p. 42	Years old	39.7	39.7	40.1
Average length of service <sup>4,6</sup>	Years	8.6	8.7	9.4
Total expenditure on employee training and professional development <sup>4,6</sup>	Euros in millions	7	6.3	7.6
Response rate for annual employee survey <sup>4,6</sup>	%	65	68	71
Staff turnover <sup>4,6</sup> The basis is the number of employees who left over the period from 31 December 2017 to 30 December 2018/mean PIP value at the five reporting dates 31 December 2017, 31 March 2018, 30 June 2018, 30 August 2018 and 31 December 2018.	Number (%)	1,537 (17.8)	1,633 (17.4)	1,273 (14.1)
of which female employees aged < 30	Number (%)	163 (10.6)	234 (14.3)	198 (15.6)
of which male employees aged < 30	Number (%)	192 (12.5)	336 (20.6)	263 (20.7)
of which female employees aged 30–34	Number (%)	94 (6.1)	93 (5.7)	110 (8.6)
of which male employees aged 30–34	Number (%)	127 (8.3)	159 (9.7)	153 (12)

<sup>4</sup> The method for determining the employee figures changed in 2018. For comparative purposes, the previous year's figures for 2017 were recalculated. The values for 2016 are based on a different definition and are consequently not comparable.

<sup>5</sup> Total employees incl. 50% of employees from Tchibo joint venture

<sup>6</sup> Total employees excl. 50% of employees from Tchibo joint venture

<sup>7</sup> Staff who by prior arrangement work from home partially or fully.





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EMPLOYEES	UNIT	2016	2017	2018
of which female employees aged 35–44	Number (%)	220 (14.3)	209 (12.8)	155 (12.2)
of which male employees aged 35–44	Number (%)	329 (21.4)	247 (15.1)	192 (15.1)
of which female employees aged 45–54	Number (%)	96 (6.2)	91 (5.6)	56 (4.4)
of which male employees aged 45–54	Number (%)	220 (14.3)	165 (10.1)	86 (6.8)
of which female employees aged > 54	Number (%)	36 (2.3)	39 (2.4)	34 (2.7)
of which male employees aged > 54	Number (%)	60 (3.9)	60 (3.7)	26 (2.0)
New employees <sup>4,6</sup>	Number (%)	1,554 (18)	1,405 (21.5)	857 (9.5)
The basis is respectively the number of new entries over the period from 1 January to 31 December of the relevant financial year.				
of which female employees aged < 30	Number (%)	336 (21.6)	397 (28.3)	193 (22.5)
of which male employees aged < 30	Number (%)	415 (26.7)	89 (6.3)	270 (31.5)
of which female employees aged 30–34	Number (%)	151 (9.7)	144 (10.2)	48 (5.6)
of which male employees aged 30–34	Number (%)	177 (11.4)	87 (6.2)	112 (13.1)
of which female employees aged 35–44	Number (%)	119 (7.7)	143 (10.2)	49 (5.7)
of which male employees aged 35–44	Number (%)	182 (11.7)	39 (2.8)	89 (10.4)
of which female employees aged 45–54	Number (%)	66 (4.2)	59 (4.2)	25 (2.9)
of which male employees aged 45–54	Number (%)	71 (4.6)	33 (2.3)	48 (5.6)
of which female employees aged > 54	Number (%)	25 (1.6)	92 (6.5)	12 (1.4)
of which male employees aged > 54	Number (%)	12 (0.8)	92 (6.5)	11 (1.3)
Voluntary exits (voluntary rotation index) <sup>4,6</sup>	%	4.9	6.2	7.3
Employees who have taken parental leave (men/women) <sup>4,6</sup>	Number	752 (228 men, 524 women)	685 (197 men, 488 women)	663 (191 men, 472 women)
Women with multiple entries were counted as one instance of parental leave in each case, men with two entries were classed as one instance of parental leave, and decisions were made on a case-by-case basis regarding more than two entries for men. Part-time employees on parental leave are classed as active employees.				
Employees who returned to work after parental leave <sup>4,6</sup>	Number	408 (196 men, 212 women)	350 (166 men, 184 women)	372 (167 men, 205 women)
Percentage of employees who returned to work following parental leave <sup>4,6</sup>	%	93 (96% men, 91% women)	92 (95% men, 89% women)	97 (100% men, 94% women)
Employees who returned to work after parental leave and who were still in their jobs twelve months after returning <sup>4,6</sup>	Number	340 (176 men, 164 women)	355 (184 men, 171 women)	320 (155 men, 165 women)
Percentage of employees who stay in job following parental leave <sup>4,6</sup>	%	77 (88% men, 68% women)	92 (95% men, 88% women)	81 (87% men, 77% women)

<sup>4</sup> The method for determining the employee figures changed in 2018. For comparative purposes, the previous year's figures for 2017 were recalculated. The values for 2016 are based on a different definition and are consequently not comparable.

<sup>5</sup> Total employees incl. 50% of employees from Tchibo joint venture

<sup>6</sup> Total employees excl. 50% of employees from Tchibo joint venture

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EMPLOYEES	UNIT	2016	2017	2018
<b>HEALTH PROTECTION AND OCCUPATIONAL SAFETY:</b>				
Absenteeism rate (Number of lost days resulting from workplace accidents and other illnesses/total number of workdays in year) * 100	%	5.6 (4.7% men, 7.1% women)	5.7 (4.7% men, 7.4% women)	7.2 (6.0% men, 8.9% women)
Lost days recorded due to any form of incapacity to work	Number	120,437 (62,347 men, 58,090 women)	125,570 (63,106 men, 62,464 women)	161,745 (80,850 men, 80,895 women)
Accident rate (Number of workplace accidents/total number of working hours in year) * 200,000	Rate	0.19 (0.22 men, 0.12 women)	0.83 (0.89 men, 0.74 women)	0.59 (0.58 men, 0.61 women)
Number of workplace accidents resulting in lost days	Number	16 (4 men, 12 women)	73 (48 men, 25 women)	53 (31 men, 22 women)
Rate of lost days due to workplace accidents (Lost days resulting from workplace accidents/total number of working hours in year) * 200,000	Rate	1.77 (2.41 men, 0.73 women)	9.56 (12.28 men, 5.24 women)	9.06 (8.40 men, 10.03 women)
Lost days recorded due to workplace accidents	Number	153 (129 men, 24 women)	840 (662 men, 178 women)	813 (450 men, 363 women)
Number of work-related illnesses	Number	0	0	0
Mortalities	Number	0	0	0
Occupational health and safety committees (occupational safety committee meetings and health forums) <sup>8</sup>	Number	21	62	21
Hours of training in health protection and occupational safety	Hours	4,103	4,505	10,025 <sup>9</sup>
Medical examinations performed	Number	244	538	538

<sup>8</sup> The high number of health and safety committees for 2017 was a result of a change in the method of calculation in that same year whereby all meetings were counted down to the level of local regional works councils.

From 2018 only the number of bodies are counted as in 2016.

<sup>9</sup> The increase is a result of broadening the scope of recording to include in-person work safety training as opposed to the previous reporting of only web-based trainings.





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ENVIRONMENT	UNIT	2016	2017	2018
<b>ENERGY AND CARBON EMISSIONS</b>				
Total energy consumption Detailed list on p. 74	GWh	843	791	778
Total electricity consumption The figure for electricity consumption equals the volumes actually billed per electricity consumption point in 2018 and, in some cases, forecasts of the volumes consumed.	GWh	803	752	746
of which by the network and data centres	GWh	775	722	716
of which by offices, shops, call centres	GWh	28	30	31
Proportion of electricity consumption relating to renewable energies	%	74	71	82
Total fuel consumption Fuel consumption (in the form of diesel, natural gas and district heating) comprises the units provided via a direct contract between a supplier and the Telefónica Deutschland Group.	GWh	40	39	32
Energy from renewable energy sources	GWh	591	536	610
Energy intensity The energy intensity equals the total energy consumption divided by the data volume in petabytes.	GWh/PB	0.3	0.25	0.22
Total CO <sub>2</sub> emissions (Scopes 1, 2 and 3) – location-based method (market-based method) CO <sub>2</sub> emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions. The Telefónica Deutschland Group uses the electricity conversion factors of the Umweltbundesamt (Federal Environment Agency [UBA]) (development of specific carbon emissions in the German electricity mix during the years 1990–2017) – 489 g CO <sub>2</sub> per kWh for 2016.	tCO <sub>2</sub> e CO <sub>2</sub> e = CO <sub>2</sub> , CH <sub>4</sub> and N <sub>2</sub> O	443,272	417,061 (177,263)	377,144
Direct emissions (Scope 1) with refrigerant emissions	tCO <sub>2</sub> e	7,549	16,220	6,889
Indirect emissions (Scope 2) (location-based method)	tCO <sub>2</sub> e	430,740	397,303	365,940
Indirect emissions (Scope 2) (market-based method)	tCO <sub>2</sub> e	–	157,505	101,559
Other indirect emissions (Scope 3) Other indirect emissions due to business travel (flights and rail travel)	tCO <sub>2</sub> e	4,983	3,538	4,315
Emissions avoided	tCO <sub>2</sub> e	315,738	282,354	298,290
Greenhouse gas intensity The greenhouse gas intensity equals the total CO <sub>2</sub> emissions (Scopes 1, 2 and 3) divided by the data volume in petabytes.	tCO <sub>2</sub> e/PB	211.1	129.8	107.5
<b>LOCATIONS FOR MOBILE-COMMUNICATION STATIONS</b>				
Total number of mobile-communication locations The number of locations contains only locations without directional-radio connections (directional-radio repeaters), BSC (base station controllers)/RNC (radio network controllers).	Number	Around 35,000	Around 32,000	Around 38,000
Locations in nature reserves	Number	80	89	74
Locations shared with other network operators	Number	4,924	6,719	6,260
Inspection of electromagnetic fields to guarantee the limits are not exceeded	Number	6,845	4,314	4,142
Investments in and expenditure on measurement of electromagnetic fields <sup>10</sup>	Euros	5,500,000	4,323,649	2,025,000

<sup>10</sup> The figures for 2017 and 2018 are based on internal assessments. Due to internal adjustments on the part of Bundesnetzagentur (German Federal Network Agency [BNetzA]), we have not received any notification of charges since July 2017. We expect about 50% of the charges for 2018 to relate to 2017.





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<b>WATER</b>				
Water consumption The water consumption data is partly based on projections.	m <sup>3</sup>	72,374	87,156	99,021
<b>MATERIAL CONSUMPTION</b>				
Total paper consumption	t	640.2	562.6	554.9 <sup>11</sup>
Paper consumption (offices, shops, call centres) 100% recycled paper with Blauer Engel (Blue Angel) certification	t	102.5	99.6	75.9
Paper consumed for customer contact (letters, envelopes, invoices)	t	537.7	463	479 <sup>12</sup>
<b>WASTE MANAGEMENT</b>				
Total waste This waste is calculated as the sum of the types of waste listed below.	t	1,944.1	1,761.9	3,439.8
Electrical and electronic equipment waste from network operation and offices (e.g. antennae, outdated hardware, routers)	t	304.8	403	173.9
of which electronics and electronic equipment waste from network operation and offices (recycled)	t	60.4	29.8	7.6
of which mobile phones from customers	t	13.9	9.4	7.4
a) recycled mobile phones from customers	t	6.2	8.1	6.8
b) customers' mobile phones sent in for reprocessing	t	7.6	1.3	0.6
of which electrical and electronic equipment waste from customers without mobile phones (100% recycling/reuse) <sup>13</sup>	t	230.5	363.8	158.9
Waste from non-electrical/non-electronic equipment <sup>14</sup>	t	1,639.3	1,875	3,265.9
of which paper and card waste (100% recycled) <sup>15</sup>	t	15.4	119.4	446 <sup>16</sup>
of which cables, pipes and metals (100% recycled) <sup>13</sup>	t	1,436.9	1,681.4	2,710
of which batteries	t	186.8 (39% recycled)	74.2 (100% recycled)	109.9 (100% recycled)
Number of old mobile phones collected The number of mobile phones collected includes mobile phones which are brought into the recycling process and refurbished in the reuse process.	Number	118,064	80,159	96,442
Contributions made for old mobile phones collected For the old mobile phones collected in the mobile-phone recycling programme, the Telefónica Deutschland Group makes a contribution to NABU for nature conservation projects.	Euros	70,726	93,691	93,398
Eco Index-rated mobile phones Number of devices in the Telefónica Deutschland Group's current portfolio of smartphones and feature phones (no retailers) that feature an Eco Index rating	%	91.9	95.4	92.3

<sup>11</sup> Value partly estimated

<sup>12</sup> Value was provided as estimate by external service provider

<sup>13</sup> Determined based on contractual agreements with disposal companies.

<sup>14</sup> The demolition due to the network consolidation hit its peak in 2018; this explains the strong rise.

<sup>15</sup> As waste containing paper is not weighed when collected but rather only volumes and the number of waste containers are recorded, since 2017 a more conservative estimate for the recycling volume has been made.

<sup>16</sup> The comparatively high increase in paper and card waste is due to the move of 800 employees from the previous company headquarters to the O<sub>2</sub> Tower.





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# CR-relevant awards received in 2018



## SUSTAINABILITY REPORTING RECEIVES BUILDING PUBLIC TRUST AWARD 2018

The Telefónica Deutschland Group received the Building Public Trust Award 2018 for the best non-financial reporting in accordance with the CSR Directive Implementation Act (CSR-RUG) in the TecDAX category. The accounting firm PricewaterhouseCoopers rewards companies for particularly transparent and credible reporting and presenting non-financial value drivers and performance indicators. The Telefónica Deutschland Group impressed the independent jury with a non-financial report in which "the explanations are structured well, the texts are coherent and they adequately represent the structural characteristics of CSR-RUG". [More information about the award can be found here.](#)



## TELEFÓNICA DEUTSCHLAND GROUP RECEIVES TECDAX INVESTOR RELATIONS AWARD 2018

The Telefónica Deutschland Group won the Deutscher Investor Relations Preis (German Investor Relations Award) for outstanding communication given by Extel – an institutional investor company – WirtschaftsWoche and the Deutscher Investor Relations Verband (German Investor Relations Association (DIRK)). This is the company's fourth consecutive win for best investor communication in the technology sector. The jury particularly praised the team for the fact that "questions were virtually answered before even being asked". [The list of winners can be found here.](#)



## BLAU TAKES FIRST PLACE IN WIRTSCHAFTSWOCHE'S CONSUMER RANKING

Blau took the top spot in WirtschaftsWoche's consumer ranking in the mobile service discounter category. Blau was the only mobile service brand that the majority of customers who took part considered "most trustworthy". For the fifth consecutive time now, the consulting and analysis company ServiceValue surveyed for WirtschaftsWoche which brands and sectors customers trusted the most. [You can find the official ranking of mobile service discounters here.](#)



## FOCUS MONEY AWARDS BLAU THE DISTINCTION OF "OUTSTANDING"

The Telefónica Deutschland Group own brand Blau convinced Focus Money with its high popularity among customers. Blau enjoys high customer loyalty that is above average for the industry. The brand not only impressed with its excellent value for money but also its reliability and transparency. [You will find Focus Money's Deutschlandtest \(Germany Test\) here.](#)





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### O<sub>2</sub> DEEMED "GOOD" OVERALL IN THE CONNECT SERVICE TEST

With regard to advice, the O<sub>2</sub> call centre agents were impressive all round and came in first in the category "quality of statements". O<sub>2</sub> also scored high in the areas of friendliness of agents, availability, and costs. The general view of O<sub>2</sub> was "Good" in the connect service test. [You will find the mobile-communication test in detail here.](#)



### OUR DATA ANONYMISATION PLATFORM IS SHORTLISTED FOR THE ECO://AWARD

The Telefónica Deutschland Group's data anonymisation platform was nominated in the category innovations/digital business models in the eco://award. The Verband der Internetwirtschaft (Association of the Internet Industry (eco)) has been presenting the eco://award since 1999 now to the best companies and projects in the accordingly current categories of the Internet economy. [You can find out more about the eco://award here.](#)



### BLAU TAKES THIRD PLACE IN DEUTSCHER FAIRNESS PREIS (GERMAN FAIRNESS AWARD)

The Deutsches Institut für Service-Qualität (German Institute for Service Quality) recognises companies in different categories every year together with the news station n-tv. Blau was able to pick up points in the areas of value for money, reliability and transparency. [Click here to be taken to the overall result.](#)



### COMPUTER BILD NAMES ALDI TALK BEST SUPERMARKET MOBILE-PHONE TARIFF

ALDI TALK received the award from trade magazine COMPUTER BILD. The test champion's value for money, network quality and especially good customer service were all convincing. According to COMPUTER BILD, ALDI TALK has the right tariff for every type of user. [You will find the mobile-communication test in detail here.](#)

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





# Selected memberships and partnerships

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

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

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

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MEMBERSHIP/PARTNERSHIP	SINCE	TARGET	WEBSITE
AfB gGmbH (Work for People with a Disability)	2013	The old IT hardware of major enterprises and public institutions is recycled (including the deletion of any data) and put back into the market; at least 50% of the workforce is made up of people with a disability.	<a href="http://www.afb-group.eu">www.afb-group.eu</a>
AmCham – American Chamber of Commerce in Germany e.V.	2010	Corporate network for global business development and for a German-American partnership	<a href="http://www.amcham.de">www.amcham.de</a>
B.A.U.M e. V. – Bundesdeutscher Arbeitskreis für Umweltbewusstes Management (German Association of Environmental Management)	2011	Membership of the largest corporate network for sustainable business	<a href="http://www.baumev.de">www.baumev.de</a>
BITKOM – Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (Federal Association for Information Technology, Telecommunications and New Media)	2001	Membership alongside other companies from the IT, telecommunications and new media industries; active participation, among other things, in working groups looking at the issues of data protection, media policy and occupational safety	<a href="http://www.bitkom.org">www.bitkom.org</a>
BREKO Bundesverband Breitbandkommunikation e.V. (German Association of Broadband Communications)	2005	Membership alongside other companies from the IT and telecommunications industries; active participation in various working groups	<a href="http://www.brekoverband.de">www.brekoverband.de</a>
Bundesverband Deutsche Start-Ups e.V. (German Startups Association)	2012	Support for the German start-up scene	<a href="http://www.deutschestartups.org">www.deutschestartups.org</a>
Clean Power Net	2010	Germany-wide and cross-industry amalgamation of companies all along the value chain with the aim of realising climate-friendly, more efficient and therefore more intelligent energy supply for industrial users	<a href="http://www.cleanpowernet.de">www.cleanpowernet.de</a>
DIRK – Deutscher Investor Relations Verband e.V. (German Investor Relations Association)	2014	Europe's largest professional association for promoting dialogue between companies and capital markets	<a href="http://www.dirk.org">www.dirk.org</a>
Deutsche Kinder- und Jugendstiftung gGmbH (German Children and Youth Foundation (DKJS))	2004	Commitment to the successful education and participation in society of young people in Germany	<a href="http://www.dkjs.de">www.dkjs.de</a>
eco – Verband der Deutschen Internetwirtschaft e.V. (Association of the Internet Industry)	2002	Companies from the IT and telecommunications industries in the largest Internet industry association in Europe for future Internet topics	<a href="http://www.eco.de">www.eco.de</a>





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Europäische Bewegung Deutschland e.V. (European Movement Germany)	2008	Network for European policy in Germany	<a href="http://www.netzwerk-ebd.de">www.netzwerk-ebd.de</a>
Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e. V. (German Association for Voluntary Self-Regulation of Digital Media Service Providers (FSM)).	2005	Promotion of the protection of young people (e.g. code of conduct for mobile-network operators in Germany for the protection of young people)	<a href="http://www.fsm.de">www.fsm.de</a>
GSM Association – global industrial body representing the interests of GSM mobile-network operators	2008	Global industrial body representing the interests of GSM mobile-network operators	<a href="http://www.gsma.com">www.gsma.com</a>
International Telecommunication Union (ITU)	2006	International cooperation of governments and the private sector for the spread of information and communication technologies (ICT)	<a href="http://www.itu.int">www.itu.int</a>
Klimapakt Münchner Wirtschaft (Munich Business Climate Pact)	2016	Major enterprises based in Munich have committed to voluntarily reducing their carbon emissions.	<a href="http://www.muenchen.de/rathaus/wirtschaft/nachhaltig-oeko/klimapakt-muenchner-wirtschaft.html">www.muenchen.de/rathaus/wirtschaft/nachhaltig-oeko/klimapakt-muenchner-wirtschaft.html</a>
MÜNCHNER KREIS (MUNICH CIRCLE)	2003	Independent platform providing orientation for those shaping the digital world and making decisions that affect it	<a href="http://www.muenchner-kreis.de">www.muenchner-kreis.de</a>
Naturschutzbund Deutschland e.V. (Nature And Biodiversity Conservation Union (NABU))	2015	Commitment to people and nature with numerous projects to protect species, the environment and nature in Germany	<a href="http://www.nabu.de">www.nabu.de</a>
Stiftung Digitale Chancen (Digital Opportunities Foundation)	2010	Commitment to getting more people interested in the opportunities provided by the Internet and supporting people in using it. The goal is to counteract the exclusion of disadvantaged sections of the population from the development of the information society.	<a href="http://www.digitale-chancen.de">www.digitale-chancen.de</a>
Umweltpakt Bayern (Bavarian Environmental Pact)	1995	Voluntary agreement between the Bavarian State Government and Bavarian industry on environmental protection	<a href="http://www.umweltpakt.bayern.de">www.umweltpakt.bayern.de</a>
UPJ e.V. – Unternehmen als Partner der Jugend (Companies as a Partner of Young People)	2005	Network connecting companies and civil society regarding corporate social responsibility	<a href="http://www.upj.de">www.upj.de</a>
VATM Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V. (Association of Telecommunications and Value-Added Service Providers)	2001	Membership alongside other companies from the IT and telecommunications industries; active participation in various working groups	<a href="http://www.vatm.de">www.vatm.de</a>
Zentrale zur Bekämpfung unlauteren Wettbewerbs e.V. (Centre for Combatting Unfair Competition)	2002	Self-regulation institution active Germany-wide for the enforcement of the law against unfair competition	<a href="http://www.wettbewerbszentrale.de">www.wettbewerbszentrale.de</a>





# GRI Content Index

The Telefónica Deutschland Group CR Report was prepared in accordance with the GRI Standards: Comprehensive option. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content

index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. This service was performed on the German version of the report.



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GRI 101: Foundation 2016				
<b>ORGANISATIONAL PROFILE</b>				
GRI 102: General disclosures 2016				
	102-1	Name of the organization	• Portrait of the Company (p. 9)	
	102-2	Activities, brands, products, and services	• Portrait of the Company (p. 9 f.)	
	102-3	Location of headquarters	• Portrait of the Company (p. 10)	
	102-4	Location of operations	• Portrait of the Company (p. 10)	
	102-5	Ownership and legal form	• Portrait of the Company (p. 9 f.) • AR (Management Report) (pp. 3–66)	
	102-6	Markets served	• Portrait of the Company (p. 9 f.)	
	102-7	Scale of the organisation	• Portrait of the Company (p. 9 f.) • AR (Management Report) (pp. 3–66)	
	102-8	Information on employees and other workers	• Employer (p. 42) • Table of Key Figures for Employees (pp. 108–110)	Seasonal fluctuations and a breakdown by contract workers are not relevant. This applies to all the employee figures.
	102-9	Supply chain	• Supplier Management (p. 44) • Table of Key Figures for Supply Chain (p. 106)	
	102-10	Significant changes to the organization and its supply chain	• AR (Consolidated Financial Statements) (pp. 67–133) • AR (Management Declaration) (p. 66)	
	102-11	Precautionary Principle or approach	• CR Strategy (p. 14) • Environmental Management (p. 68f.)	
	102-12	External initiatives	• Supplier Management (p. 45) • Compliance (p. 30, 32) • SDG Declaration (p. 88)	
	102-13	Memberships of associations	• Environmental Management (p. 77) • Memberships (p. 116 f.)	





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STRATEGY

GRI 102: General disclosures 2016	102-14	Statement from senior decision-maker	• Foreword (p. 5 f.)
	102-15	Key impacts, risks, and opportunity	• CR Strategy (p. 14) • AR (Management Report) (pp. 3–66)

ETHICS AND INTEGRITY

GRI 102: General disclosures 2016	102-16	Values, principles, standards, and norms of behaviour	• Compliance (p. pp. 30–32) • AR (Management Declaration) (p. 66)
	102-17	Mechanisms for advice and concerns about ethics	• Compliance (p. 31) • AR (Corporate Governance Report) (pp. 146–149) • AR (Management Declaration) (p. 66)

GOVERNANCE

GRI 102: General disclosures 2016	102-18	Governance structure	• CR Management (p. 18 f.) • AR (Management Report) (pp. 3–66) • AR (Management Declaration) (p. 66)
	102-19	Delegating authority	• CR Management (p. 18 f.) • AR (Management Report) (pp. 3–66)
	102-20	Executive-level responsibility for economic, environmental, and social topics	• CR Management (p. 18 f.) • Compliance (p. 31)
	102-21	Consulting stakeholders on economic, environmental, and social topics	• CR Management (p. 18 f.) • Compliance (pp. 31-33)
	102-22	Composition of the highest governance body and its committees	• AR (Management Declaration) (p. 66)
	102-23	Chair of the highest governance body	• AR (Management Declaration) (p. 66) • AR (Corporate Governance Report) (pp. 146–149)
	102-24	Nominating and selecting the highest governance body	• AR (Supervisory Board Report) (pp. 145–149) • AR (Management Declaration) (p. 66)
	102-25	Conflicts of interest	• AR (Consolidated Financial Statements) (pp. 67–133) • AR (Supervisory Board Report) (pp. 145–149) • AR (Corporate Governance Report) (pp. 146–149)
	102-26	Role of highest governance body in setting purpose, values, and strategy	• AR (Supervisory Board Report) (pp. 145–149) • AR (Management Declaration) (p. 66)
	102-27	Collective knowledge of highest governance body	• AR (Corporate Governance Report) (pp. 146–149)
	102-28	Evaluating the highest governance body's performance	• AR (Corporate Governance Report) (pp. 146–149)
	102-29	Identifying and managing economic, environmental, and social impacts	• AR (Management Report) (pp. 3–66) • Materiality according to CSR-RUG (p. 81 f.)
	102-30	Effectiveness of risk management processes	• AR (Management Report) (pp. 3–66)





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102-31	Review of economic, environmental, and social topics	<ul style="list-style-type: none"> <li>• CR Management (p. 18)</li> <li>• AR (Management Report) (pp. 3–66)</li> </ul>	
102-32	Highest governance body's role in sustainability reporting	The CR strategy is approved by the Management Board once it has been reviewed. The CR department implements the CR reporting on the material topics on the basis of the CR strategy. The Management Board approves the CR Report following review.	
102-33	Communicating critical concerns	<ul style="list-style-type: none"> <li>• AR (Management Declaration) (p. 154–158)</li> <li>• AR (Corporate Governance Report) (pp. 146–149)</li> </ul>	
102-34	Nature and total number of critical concerns		The information is not available for the period under review.
102-35	Remuneration policies	<ul style="list-style-type: none"> <li>• AR (Management Report) (pp. 3–66)</li> </ul> <p>With New Reward, the organically developed heterogeneous landscape of various remuneration systems is being superseded by a wide variety of elements. The new remuneration model is clear, fair, attractive and geared to Telefónica Germany GmbH &amp; Co. OHG. One aspect of the new remuneration system is clear Telefónica-specific career bands and levels: each salary band represents a career level. Clearly defined and transparent classification criteria make development within the salary bands and beyond them possible at the same time. This also makes it obvious what requirements are relevant for the next development steps. Senior experts and the majority of executives receive a bonus in addition to their basic salary; this bonus is linked to corporate targets. Commission is, however, planned for marketing staff.</p>	
102-36	Process for determining remuneration	<ul style="list-style-type: none"> <li>• AR (Management Declaration) (pp. 154–158)</li> <li>• AR (Management Report) (pp. 3–66)</li> </ul>	
102-37	Stakeholders' involvement in remuneration	<ul style="list-style-type: none"> <li>• AR (Management Declaration) (pp. 154–158)</li> <li>• AR (Management Report) (pp. 49–59)</li> </ul>	
102-38	Annual total compensation ratio	<ul style="list-style-type: none"> <li>• AR (Management Declaration) (pp. 154–158)</li> <li>• AR (Management Report) (pp. 3–66)</li> </ul>	The information is not available for the period under review.
102-39	Percentage increase in annual total compensation ratio	<ul style="list-style-type: none"> <li>• AR (Management Declaration) (pp. 154–158)</li> <li>• AR (Management Report) (pp. 3–66)</li> </ul>	The information is not available for the period under review.





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**STAKEHOLDER INVOLVEMENT**

GRI 102: General disclosures 2016	102-40	List of stakeholder groups	<ul style="list-style-type: none"> <li>Stakeholder Engagement (p. 23)</li> </ul>
	102-41	Collective bargaining agreements	<ul style="list-style-type: none"> <li>Table of Key Figures for Employees (p. 108)</li> </ul>
	102-42	Identifying and selecting stakeholder groups	<ul style="list-style-type: none"> <li>Stakeholder Engagement (p. 20)</li> </ul>
	102-43	Approach to stakeholder engagement	<ul style="list-style-type: none"> <li>Stakeholder Engagement (p. 20 f.)</li> <li>Customer Satisfaction (pp. 25–27)</li> <li>Employer (pp. 34–40)</li> <li>Data Protection and Information Security (pp. 60–63)</li> <li>Environmental Management (p. 77)</li> </ul>
	102-44	Key topics and concerns raised	<ul style="list-style-type: none"> <li>Stakeholder Engagement (pp. 20–22)</li> </ul>

**REPORTING METHOD**

GRI 102: General disclosures 2016	102-45	Entities included in the consolidated financial statements	<ul style="list-style-type: none"> <li>Portrait of the Company (p. 10)</li> <li>AR (Consolidated Financial Statements) (p. 75)</li> </ul>
	102-46	Defining report content and topic boundaries	<ul style="list-style-type: none"> <li>About this Report (p. 2)</li> <li>CR Strategy (p. 14 f.)</li> <li>Materiality according to GRI (pp. 83–85)</li> </ul>
	102-47	List of material topics	<ul style="list-style-type: none"> <li>CR Strategy (p. 14 f.)</li> <li>Materiality according to GRI (pp. 83–85)</li> </ul>
	102-48	Restatements of information	<ul style="list-style-type: none"> <li>Table of Key Figures (pp. 108–110, 113)</li> <li>CR Targets (p. 103)</li> </ul>
	102-49	Changes in reporting	None
	102-50	Reporting period	<ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>
	102-51	Date of most recent report	<ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>
	102-52	Reporting cycle	<ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>
	102-53	Contact point for questions regarding the report	<ul style="list-style-type: none"> <li>About this Report (p. 2)</li> <li>Imprint (p. 136)</li> </ul>
	102-54	Claims of reporting in accordance with the GRI Standards	<ul style="list-style-type: none"> <li>About this Report (p. 2)</li> </ul>
	102-55	GRI content index	<ul style="list-style-type: none"> <li>GRI Standards Content Index (pp. 118–132)</li> </ul>
	102-56	External assurance	<ul style="list-style-type: none"> <li>Independent Assurance Report (pp. 133–135)</li> </ul>

**GRI 200: ECONOMIC**

**ECONOMIC PERFORMANCE**

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Business Strategy (p. 12 f.)</li> </ul>
	103-2	The management approach and its components	<ul style="list-style-type: none"> <li>AR (Management Report) (pp. 3–66)</li> </ul>
	103-3	Evaluation of the management approach	





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GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	<ul style="list-style-type: none"> <li>• Table of Key Economic Figures (p. 105 f.)</li> <li>• AR (Consolidated Financial Statements) (pp. 67–133)</li> </ul>
	201-2	Financial implications and other risks and opportunities due to climate change	Up to now, the financial impacts of climate change have been low for the Telefónica Deutschland Group and are therefore not reported on in detail.
	201-3	Defined benefit plan obligations and other retirement plans	<ul style="list-style-type: none"> <li>• AR (Consolidated Financial Statements) (pp. 67–133)</li> </ul>
	201-4	Financial assistance received from government	<ul style="list-style-type: none"> <li>• AR (Management Report) (pp. 3–66)</li> </ul>

INDIRECT ECONOMIC IMPACTS

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Business Strategy (p. 12 f.)</li> </ul>
	103-2	The management approach and its components	<ul style="list-style-type: none"> <li>• Sustainable Innovations and Products (pp. 48–50)</li> </ul>
	103-3	Evaluation of the management approach	
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	<ul style="list-style-type: none"> <li>• Business Strategy (p. 12 f.)</li> <li>• Sustainable Innovations and Products (pp. 48–50)</li> </ul>
	203-2	Significant indirect economic impacts	<ul style="list-style-type: none"> <li>• Business Strategy (p. 12 f.)</li> <li>• Sustainable Innovations and Products (pp. 48–50)</li> </ul>

PROCUREMENT PRACTICES

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Supplier Management (pp. 43–45)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	<ul style="list-style-type: none"> <li>• Table of Key Figures for Supply Chain (p. 106)</li> </ul> <p>The term “local suppliers” covers all domestic suppliers of the Telefónica Deutschland Group.</p>





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**ANTI-CORRUPTION**

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Compliance (p. 31 f.)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	<ul style="list-style-type: none"> <li>Compliance (p. 31)</li> </ul>	
	205-2	Communication and training about anti-corruption policies and procedures	<ul style="list-style-type: none"> <li>Compliance (p. 31)</li> <li>Table of Key Figures for Compliance (p. 107)</li> </ul> <p>The employee training carried out on our Business Principles features content on the subject of anti-corruption. As of 31 December 2018 78% of employees have successfully completed "Business Principles" training. To strengthen the prevention measures in the area of anti-corruption, we will offer our employees new training on the subject in 2018. Moreover, further information (e.g. on dealing with gifts) is available for employees on the intranet. As a rule, our business partners are obligated to comply with our Business Principles. Furthermore, since 2018 we have been requiring all of our suppliers to commit to a binding declaration of compliance with anti-corruption laws via our tendering platform.</p>	The necessary data for a breakdown by employee category are not captured in a system-related manner.
	205-3	Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> <li>Compliance (p. 31)</li> <li>Table of Key Figures for Compliance (p. 107)</li> </ul>	

**ANTI-COMPETITIVE BEHAVIOR**

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Compliance (p. 31)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		During the reporting period, no proceedings were initiated against the Telefónica Deutschland Group on the basis of anti-competitive behaviour, cartelisation or monopolisation.

**GRI 300: ENVIRONMENTAL**

**MATERIALS**

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Environmental Management (p. 68 f.)</li> <li>Conservation of Resources (p. 76 f.)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		





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GRI 301: Materials 2016	301-1	Materials used by weight or volume	–	Not relevant because the Telefónica Deutschland Group is not a manufacturing business.
	301-2	Recycled input materials used	–	Not relevant because the Telefónica Deutschland Group is not a manufacturing business.
	301-3	Reclaimed products	<ul style="list-style-type: none"> <li>• Conservation of Resources (pp. 76–78)</li> <li>• Table of Key Figures for the Environment (p. 113)</li> </ul> <p>The disclosure 301-3 was adjusted to the concrete conditions of the Telefónica Deutschland Group. The reporting refers to our mobile-phone recycling programme, which is not solely based on taking back our own phones. More information about mobile-phone recycling can also be found here: <a href="http://www.telefonica.de/handyrecycling">www.telefonica.de/handyrecycling</a>.</p>	The Telefónica Deutschland Group does not report on the packaging of mobile phones because it is not a manufacturing business.
<b>ENERGY</b>				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Environmental Management (p. 68 f.)</li> <li>• Energy &amp; CO<sub>2</sub> Reduction (p. 70 f.)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 70, 74)</li> <li>• Table of Key Figures for the Environment (p. 112)</li> </ul> <p>The Telefónica Deutschland Group does not sell energy.</p>	Details about cooling-energy and steam consumption are not relevant because the Telefónica Deutschland Group is not a manufacturing business.
	302-2	Energy consumption outside of the organization	–	Not relevant for internal corporate governance and not demanded by stakeholders.
	302-3	Energy intensity	<ul style="list-style-type: none"> <li>• Environmental Management (p. 68 f.)</li> <li>• Table of Key Figures for the Environment (p. 112)</li> </ul>	
	302-4	Reduction of energy consumption	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 70, 74)</li> </ul>	
	302-5	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 70, 74)</li> </ul>	





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EMISSIONS

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Environmental Management (p. 68 f.)</li> </ul>		
	103-2	The management approach and its components	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (p. 70 f.)</li> </ul>		
	103-3	Evaluation of the management approach			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 71, 75)</li> <li>• Table of Key Figures for the Environment (p. 112)</li> </ul>		
	305-2	Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 17, 75)</li> <li>• Table of Key Figures for the Environment (p. 112)</li> </ul>		
	305-3	Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 17, 75)</li> <li>• Table of Key Figures for the Environment (p. 112)</li> </ul>		
	305-4	GHG emissions intensity	<ul style="list-style-type: none"> <li>• Table of Key Figures for the Environment (p. 112)</li> </ul>		
	305-5	Reduction of GHG emissions	<ul style="list-style-type: none"> <li>• Energy &amp; CO<sub>2</sub> Reduction (pp. 17, 75)</li> </ul>		
	305-6	Emissions of ozone-depleting substances (ODS)	–		Not relevant. Emissions are recorded but due to their volume they are not material.
	305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	–		Not relevant. Emissions are recorded but due to their volume they are not material.

ENVIRONMENTAL COMPLIANCE

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Environmental Management (p. 68 f.)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	<p>Compliance with environmental regulations is overseen via the implemented management systems ISO 14001 and ISO 50001 within the company.</p> <p>No considerable fines or non-monetary sanctions were imposed on the Telefónica Deutschland Group during the reporting period due to failure to comply with environmental-protection laws and regulations.</p>	





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SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Supplier Management (pp. 43–45)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria		The percentage of new suppliers that were screened using environmental criteria is not ascertained. We only report the number of supplier assessments (SuMa).
	308-2	Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> <li>Supplier Management (pp. 43–45)</li> <li>Environmental Management (p. 68 f.)</li> </ul>	

GRI 400: SOCIAL

EMPLOYMENT

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Employer (pp. 34–36)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	<ul style="list-style-type: none"> <li>Table of Key Figures for Employees (p. 109 f.)</li> </ul>
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<p>No distinction is made for:</p> <p>Group accident insurance (incl. disability and invalidity coverage), healthcare, parental leave, stock ownership, allowances for food, use of company facilities (e.g. canteen, sports programme, employer's contributions to tax-deductible savings schemes)</p> <p>For employees with contracts of indefinite duration:</p> <p>Access to retirement provision because of the vesting period of five years</p> <p>Most fringe benefits are offered to part-time employees based on their pro-rata level of employment or part-time salary. There are benefits that are provided to part-time employees and full-time employees to the same extent (e.g. allowances for travel to and from work, calling credit for personal use).</p>
	401-3	Parental leave	<ul style="list-style-type: none"> <li>Table of Key Figures for Employees (p. 110)</li> </ul> <p>In accordance with Section 15 of the Bundeselternzeitgesetz (Federal Parental Allowance and Parental Leave Act (BEEG)), all parents in Germany are entitled to parental leave in order to look after and raise a child until he/she turns three.</p>



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LABOR/MANAGEMENT RELATIONS

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Employer (pp. 34–36)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 402: Labor/management relations 2016	402-1	Minimum notice periods regarding operational changes	Implemented according to a resolution passed by the responsible works council bodies in a procedure agreed with these with notice periods agreed jointly that are variable depending on the planned change.

OCCUPATIONAL HEALTH AND SAFETY

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Employer (p. 41)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 403: Occupational health and safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	Employer-worker health and safety committees typically operate in every subsidiary at company level in accordance with the legal regulations (e.g. health and safety committees); as a result of the necessary co-determination rights, however, this is also partly the case at local level per company and there is a nationwide body (Health Forum) at Group level initiated by the employer's side; percentage of total workforce represented in committees and bodies for occupational safety: approximately 1.8% in the committees that represent 100% of the employees
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<ul style="list-style-type: none"> <li>• Employer (p. 41)</li> <li>• Table of Key Figures for Employees (p. 111)</li> </ul> <p>As far as registered workplace accidents were concerned, these were primarily sustained on the journey to or from work.</p>
	403-3	Workers with high incidence or high risk of diseases related to their occupation	Not material since there are no groups of employees that are subject to an occupational disease.





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	403-4	Health and safety topics covered in formal agreements with trade unions	Agreements are covered by formal internal agreements dealing with health and safety topics.	Due to missing data, the percentage of occupational health and safety topics which are covered by the formal internal agreements cannot be reported for the 2018 reporting period.
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TRAINING AND EDUCATION

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Employer (pp. 34–36, 39)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	---	Only the training budget is recorded centrally; training hours are not. The reason for this is a new decentralised training structure.
	404-2	Programs for upgrading employee skills and transition assistance programs	• Employer (pp. 39–41)	
	404-3	Percentage of employees receiving regular performance and career development reviews	The foundations for introducing a performance management process were laid in the reporting year. The dialogue between executives and employees has been redefined with different feedback initiatives incl. a feedback guideline. The Telefónica Deutschland Group recommends that executives and employees meet for a feedback discussion at least once per quarter. Next year, discussions will be held with the works council regarding the introduction of a dialogue format that is more comprehensive and is modern. For executives, the Telefónica, S.A. Group continues to put a global system at their disposal.	The share of employees who receive a regular assessment of their performance during the reporting period is currently not recorded.





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DIVERSITY AND EQUAL OPPORTUNITY

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Employer (pp. 34–36, 39)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	<ul style="list-style-type: none"> <li>Employer (p. 39)</li> <li>Table of Key Figures for Employees (p. 108 f.)</li> <li>Governance Bodies: AR (Corporate Governance Report) (pp. 146–149)</li> </ul>	The key figures on diversity regarding the Supervisory Board are not available for reporting period.
	405-2	Ratio of basic salary and remuneration of women to men	<ul style="list-style-type: none"> <li>Table of Key Figures for Employees (p. 109)</li> </ul>	The information respectively refers to the entire Telefónica Deutschland Group.

NON-DISCRIMINATION

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Compliance (p. 32)</li> <li>Employer (p. 39)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach	Component of our compliance management system	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	<ul style="list-style-type: none"> <li>Table of Key Figures for Compliance (p. 107)</li> </ul>	

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Compliance (p. 30 f.)</li> <li>Supplier Management (pp. 43–45)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach	Component of our compliance management system	
GRI 407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		The right to freedom of association and collective bargaining is laid down in German law. To minimise any risk posed to freedom of association and collective bargaining in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents posing a risk to freedom of assembly or to collective bargaining are known for the reporting period.





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CHILD LABOR

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Compliance (p. 31 f.)</li> </ul>
	103-2	The management approach and its components	<ul style="list-style-type: none"> <li>• Supplier Management (p. 43 f.)</li> </ul>
	103-3	Evaluation of the management approach	Component of our compliance management system
GRI 408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	To minimise the risk of child labour in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents of child labour during the reporting period are known to us.

FORCED OR COMPULSORY LABOR

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Compliance (p. 31 f.)</li> </ul>
	103-2	The management approach and its components	<ul style="list-style-type: none"> <li>• Supplier Management (p. 43 f.)</li> </ul>
	103-3	Evaluation of the management approach	Component of our compliance management system
GRI 409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	To minimise the risk of forced labour in the supply chain, we oblige our suppliers to comply with our Supply Chain Sustainability Policy. No incidents of forced labour during the reporting period are known to us.

LOCAL COMMUNITIES

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>• Materiality according to GRI (pp. 83–85)</li> <li>• Digital Inclusion (pp. 54–56)</li> </ul>
	103-2	The management approach and its components	<ul style="list-style-type: none"> <li>• For measures relating to children and young people, see Protection of Children and Young People (p. 65 f.)</li> </ul>
	103-3	Evaluation of the management approach	
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> <li>• Digital Inclusion (pp. 54–56)</li> </ul>
	413-2	Operations with significant actual and potential negative impacts on local communities	<ul style="list-style-type: none"> <li>• Sustainable Innovations and Products (pp. 48–50)</li> </ul>





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SUPPLIER SOCIAL ASSESSMENT

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Supplier Management (p. 43 f.)</li> </ul>	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria		The percentage of new suppliers that were screened using environmental criteria is not ascertained. We only report the number of supplier assessments (SuMa).
	414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> <li>Supplier Management (p. 45 f.)</li> </ul>	

PUBLIC POLICY

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Compliance (p. 31)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 415: Public policy 2016	415-1	Political contributions	<ul style="list-style-type: none"> <li>Table of Key Figures for Compliance (p. 107)</li> </ul>

CUSTOMER HEALTH AND SAFETY

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Data protection and information security (pp. 60–62)</li> <li>For processes and measures relating to children and young people, see Protection of Children and Young people (p. 65 f.)</li> <li>Mobile Communication and Health (p. 79)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> <li>Mobile Communication and Health (p. 79)</li> </ul> <p>Compliance with limits is checked by Germany's Federal Network Agency (BNetzA) at all masts. More information is available on the website of the Telefónica Deutschland Group, including a current list of mobile-phone SAR values: <a href="http://www.telefonica.de/verantwortung/umwelt-und-klima-schuetzen/mobilfunk-gesundheit.html">www.telefonica.de/verantwortung/umwelt-und-klima-schuetzen/mobilfunk-gesundheit.html</a>.</p>
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None





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MARKETING AND LABELING

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Data Protection and Information Security (pp. 60–63)</li> <li>For processes and measures relating to children and young people, see Protection of Children and Young People (p. 65 f.)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	<ul style="list-style-type: none"> <li>Protection of Children and Young People (p. 65 f.)</li> </ul>
	417-2	Incidents of non-compliance concerning product and service information and labeling	There was one legal action here in 2018.
	417-3	Incidents of non-compliance concerning marketing communications	<ul style="list-style-type: none"> <li>Table of Key Figures for Compliance (p. 107)</li> </ul>

CUSTOMER PRIVACY

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Data Protection and Information Security (pp. 60–62)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<ul style="list-style-type: none"> <li>Data Protection and Information Security (p. 62)</li> <li>Table of Key Figures for Compliance (p. 107)</li> </ul>

SOCIOECONOMIC COMPLIANCE

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> <li>Materiality according to GRI (pp. 83–85)</li> <li>Compliance (pp. 30–32)</li> </ul>
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	In 2018 proceedings were initiated 114 times on the basis of violation of the Verordnung über das Nachweisverfahren zur Begrenzung elektromagnetischer Felder (Order on the means of providing proof as regards limiting exposure to electromagnetic fields (BEMFV)). This resulted in fines amounting to EUR 28,661 being issued.





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## Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting and Sustainability Information

### To Telefónica Deutschland Holding AG, Munich

We have performed a limited assurance engagement on the sustainability disclosures (hereinafter the "Sustainability Information") and the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") (hereinafter the "Non-financial Report") contained therein and marked with a light blue bar in the right-hand margin with the following icon  in the CR-Report of Telefónica Deutschland Holding AG, Munich (hereinafter the "Company") for the period from 1 January to 31 December 2018 (hereinafter the "CR-Report").

### Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Sustainability Information in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-Criteria") and the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

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

### Independence and Quality Control of the Audit Firm

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

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis -





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IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Information in the CR-Report and the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the CR-Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that

- the Sustainability Information in the CR-Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria,

or

- the Non-financial Report contained within the CR-Report of the Company for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

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

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

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





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### **Assurance Conclusion**

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that

- the Sustainability Information in the CR-Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria,

or

- the Non-financial Report contained within the CR-Report of the Company for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

### **Intended Use of the Assurance Report**

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 26 April 2019

### **PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft**

Michael Conrad  
Wirtschaftsprüfer  
(German public auditor)

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The CR Report including the non-financial Report is available online at [www.telefonica.de/nfe](http://www.telefonica.de/nfe)

