

**Supply Chain Sustainability  
Policy  
Telefónica Deutschland Group**

Code of Conduct for Suppliers and Other  
Business Partners

Approved by the Corporate Board of the Telefónica Deutschland  
Group on 13 February 2017.

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## 1 INTRODUCTION

On the basis of its international market presence and the considerable share of the supply chain in terms of volume of trade, Telefónica is aware of its responsibility. For this reason, the company places high demands on the responsibility of its suppliers while not only promoting the maintenance of high quality standards with respect to products and services but also the maintenance of ethical, social, environmental and data protection standards in the entire supply chain.

This Supply Chain Sustainability Policy is a code of conduct for suppliers and other business partners of the Telefónica Deutschland Group and has its origins in the **Telefónica Business Principles**. The Business Principles constitute the reference framework in the relationship of the company with its different stakeholders, especially where the **commitment of Telefónica to responsible management of a sustainable supply chain is concerned**.

The Policy is in accord with international guidelines such as the **Principles of Company Management and the UN Universal Declaration of Human Rights**, the **International Labour Organization (ILO)** conventions, the guidelines of the **OECD** (Organisation for Economic Co-operation and Development) and **ISO** (International Standards Organization) **norms**.

The Supply Chain Sustainability Policy is not only an expression of the vision Telefónica has for sustainability and risk management but also part of a strategic business plan in which the following aspects are to the fore:

- The development of lasting and sound relationships between Telefónica and its suppliers that are profitable for both sides
- The fulfilment of certain standards with reference to ethical and social behaviour and protection of the environment and data protection both on the part of the company and its employees and business partners

Last but not least the Policy is the expression of the commitment on the part of Telefónica within the framework of **Global Compact in the area of corporate**

**social responsibility, the Sustainable Development Goals (SDG), and the defence of human rights in accordance with the UN declaration.**

## **2 SCOPE OF APPLICATION AND VALIDITY**

This Supply Chain Sustainability Policy is a code of conduct for suppliers and other business partners that is applicable to all companies belonging to the Telefónica Deutschland Group.

Telefónica, S.A., in its role as the Group's leading company, establishes the bases, instruments and strategies needed to ensure appropriate and efficient coordination between it and the subsidiaries without restricting the individual companies' freedom to decide with regard to their respective company interests and the fiduciary duty of the administrative bodies as regards their shareholders.

The Policy **applies to all purchased products and services of the Telefónica Deutschland Group**, i.e. including its subsidiaries, independent of business segment or location.

Similarly, **it refers to the entirety of the Telefónica supply chain**, i.e. it applies to both direct and indirect suppliers. With this in mind, the supplier is jointly and without limit liable for non-compliance with the minimum standards laid down in this Code of Conduct.

## **3 GENERAL PRINCIPLES OF ACTION**

Telefónica is committed to acting with the utmost rigour, objectivity, transparency and professionalism regarding its suppliers, and particularly:

- Fulfilling the commitments entered into with the suppliers
- Ensuring appropriate transparency in purchase transactions, particularly regarding negotiations with suppliers and in the decision-making process for the award of orders

- Promoting equal opportunities for all involved suppliers in the award process and conducting the selection of suppliers, the award of orders and the decision-making according to objective criteria
- Encouraging a culture of responsible business among the suppliers
- Working with the suppliers in order to ensure the minimum standards for responsible business are upheld (see section 4 of this Policy) and working together for ongoing improvement
- Reviewing compliance with the minimum standards for responsible business. This review may be carried out with information provided by the supplier and/or through on-site audits. Telefónica expects its suppliers to respond promptly and adequately to requests for information, and it determines by what means this is to be done, whether directly or through corresponding platforms that provide Telefónica or its representatives with extensive access to relevant information about the facilities, employees, processes, etc. of suppliers for the purpose of review

Any person, organisation or company that wishes to be considered as a Telefónica supplier must commit to fulfilling the minimum standards for responsible business and always demand compliance with these from subcontractors. With this in mind, all non-compliance with the minimum standards for responsible business on the part of the supplier will be considered a breach of contract, and Telefónica is in such a case entitled to terminate the contractual relationship with the supplier and demand compensation from them for all damage or loss the company suffers as a result of non-compliance on the part of the supplier and/or contract termination.

Notwithstanding the above, Telefónica alternatively reserves the right to instead of the aforementioned contract termination demand corrective measures from the supplier which result in renewed compliance with the minimum standards for responsible business on the part of the supplier. In this case, assessment of

whether the corrective measures are sufficient with reference to content, form and time frame is incumbent exclusively on Telefónica.

## 4 MINIMUM STANDARDS FOR RESPONSIBLE BUSINESS

### 4.1. Ethical criteria

- **Compliance with the law:** the supplier must at all times comply with the applicable international, national and local legislation in its business relationship with Telefónica.
- **Anti-corruption:** Telefónica works in accord with current legislation professional ethics and internal guidelines and refuses to tolerate any form of corruption, extortion or bribery. Suppliers are required to actively and consistently fight against any form of punishable or unethical exertion of influence regarding the decisions of Telefónica or other companies and institutions and take action against corruption in their own companies. This comprises refraining from payment whatsoever in the form of money or in kind to any natural or legal person acting on behalf of an authority or a public or private entity, with the aim of obtaining or maintaining an advantage.
- **Conflicts of interest:** the relationships between the companies of the Telefónica Deutschland Group and its trading partners are governed by objective criteria. Under no circumstances may personal relationships or interests influence the award of an order or the conclusion of a contract. No employee may directly or indirectly profit as a result of a contract being concluded. Consequently, any financial benefit or gift offered or received, which is meant to influence the independent decision or the behaviour of the parties involved is to be forbidden.

## 4.2 Social criteria

- **Employee-employer relationship:** the work done by the employees of the supplier must be based on a recognised employee-employer relationship in accordance with all legal provisions. Moreover, the obligations of the company with respect to its employees regarding labour or social-security legislation are covered by these. The abuse of subcontracted work or the use of subcontracts in order to avoid legal obligations is not permitted. The employees must be provided with a written employment agreement in their native language. Employees may not for the duration of employment be required to pay commission by employees, agents or other authorities. Should employees have paid any such fees, they are to be refunded.
- **Regulation of working hours:** the regular working hours of the supplier are to comply with applicable national regulations and be oriented to the corresponding norms of the industry, whereby the protection of the employee has absolute priority. The employees should not regularly work more than 48 hours per week and they are entitled to at least one day off after seven days on average. In accordance with Convention C001 of the ILO, these regulations do not apply to supervision and/or management activities.
- **Wages and salaries:** the remuneration of the employee must correspond to or exceed the national or, if applicable, local minimum wage. It may not be paid in kind and it must be sufficient to satisfy the basic needs. Before beginning the employee-employer relationship, employees are to receive in writing and intelligible form information regarding their labour conditions with respect to wages as well as payslips that are both regular and detailed. Wage cuts as a disciplinary measure are not permitted.
- **Forced labour and trafficking:** the work may neither be done under conditions of slavery nor involuntarily or under duress. Employees may not be required to "leave something as a deposit" or hand over identity cards or passports to the employer and they may hand in their notice in the form

prescribed by law. Abuse or corporal punishment, the threat of physical ill treatment, sexual assault and all other forms of assault, verbal ill treatment and other forms of intimidation are prohibited. The supplier shall have a company policy and a clearly defined procedure that guarantees that nowhere in the supply chain or in its company is work being done under conditions of slavery or trafficking taking place.

- **Labour by children and young people:** the supplier guarantees that there is no child labour in its business and its supply chain. In the cases in which the supplier is forced to eliminate child labour, it is to do this to the greatest possible benefit of the affected children. Children and young people under the age of 18 that, in accordance with the local legislation have access to the labour market may neither work at night or under dangerous conditions. Any action is to be taken with consideration for the interests of the child in accordance with ILO Convention C138 and the UN Convention on the Rights of the Child.
- **Freedom of association and the right to collective bargaining:** the employees of the supplier and its subcontractors shall have the right to found unions and join unions and, if a sufficient number of employees agree, collectively bargain. The employing company is to be open with respect to the activities of the unions and their organisational work. The representatives of the employees may not be discriminated against and they may perform their representative function within the legal regulations in the company. In the event that legislation restricts the right to freedom of association and collective bargaining, the employer is to facilitate and not hinder the development of parallel juridical instruments for free and independent association and for negotiation.
- **Non-discrimination:** a policy of equality is to be pursued and there may be no discrimination regarding contracts, compensation, access to education, promotion, termination of contractual and employee-employer relationships or retirement on the basis of race, social background, skin colour, gender

identity, pregnancy, family situation, origin, religion, age, disability, biological sex, marital status, sexual orientation, union membership or political orientation.

- **Health and safety conditions:**

- The supplier shall put at its employees' disposal a safe non-harmful workplace and consider local, national, and international guidelines while doing so.
- Adequate measures are to be taken to prevent injuries and accidents by keeping the dangers of the working environment and performing the work to a minimum.
- The supplier shall put at its employees' disposal appropriate tools as well as individual and collective protective equipment in order to guarantee a minimum of safety dependent on the risks.
- The employees must receive health and safety training, so that they can recognise the risks associated with their work and the working environment and learn the necessary code of conduct in order to minimise these.
- Access to clean toilets, drinking water and, if applicable, appropriate premises for the storage and consumption of food is to be guaranteed.
- If accommodation is at employees' disposal, this must be clean and secure and satisfy the basic needs of employees.
- The company shall appoint an executive to be responsible for health and safety.
- Should an accident occur or public health issues arise that affect the supplier, the supplier is to immediately inform Telefónica regarding the matter concerned.

- The supplier should also have at its disposal a health and safety policy or get such a policy off the ground that fulfils the requirements of the OHSAS 18001 standard or other internationally recognised standards.
- The aforementioned applies to the same extent for suppliers of the contractual partners as well as personnel that work at the company headquarters of Telefónica. The employees and the independent contractual partners of Telefónica must also fulfil the health and safety standards of Telefónica and follow instructions of Telefónica.
- Policies and corresponding strategies are to be introduced regarding management, minimisation, supervision and communication of safety risks in the areas of work and industrial hygiene as well as industrial accidents and occupational diseases.
- Emergency plans and strategies are to be established and followed in order to keep physical injuries and damage to the environment and property to a minimum.
- **Minerals from areas of conflict and high risk (conflict minerals):** the supplier has at its disposal a clear policy and strategies to guarantee it complies with section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Additionally, the policy and strategies should be in accord with the basic principles for the fulfilment of OECD due diligence for supply chains of minerals in areas of conflict and high risk.

#### **4.3 Environmental criteria**

- **Compliance with the law:** the supplier shall at all times comply with international, national and local legislation, especially in terms of waste, emissions, noise, the consumption of resources and dangerous substances.
- **Life cycle and preventive action:** the supplier must take prevention measures in order to keep the environmental damage from its activity to a minimum. While doing so, the whole life cycle is to be considered, beginning with the production of raw materials to the manufacture and

transport to handling waste and its permanent disposal. The aim must always be to avoid polluting the environment. The supplier guarantees to protect the environment as far as possible in its business relationship with Telefónica by offering products and services that exhibit high energy efficiency, are recyclable or contain fewer materials that are harmful to the environment.

- **Environmental policy:** the supplier must have at its disposal a documented and current environmental policy that includes a commitment to environmental protection, compliance with the corresponding laws and continuous improvement.
- **Environmental management:** the supplier should have at its disposal a documented environmental management system or get such a system off the ground that guarantees effective planning, implementation and control with regard to the material environmental aspects of its field of activity. This system must fulfil the requirements of the ISO 14001 standard or similar internationally recognised standards.
- **Climate change:** the supplier is to take measures to minimise the harmful influences of its work on climate change and consider the entire value chain in the analysis (scope I, II and III of its greenhouse gas emissions). It is required to keep the emission of greenhouse gases as low as possible, at least within the framework of its work for Telefónica. In addition, the supplier must make available on the request of Telefónica information on the emission of greenhouse gases and energy consumption for the manufacture of products and provision of services undertaken by the supplier for Telefónica.
- **Waste:** the supplier must in particular within the framework of its work for Telefónica have at its disposal a coordinated waste management system, whereby reusability and recycling are to the fore.

- **Dangerous substances and chemical products:** the supplier must comply with all laws, regulations and conditions with respect to bans and restrictions on specific substances. Dangerous chemicals and other materials included in the products, especially those included in the list of substances of very high concern (SVCH) under the REACH regulation, must be identified and handled so as to ensure their safe use, recycling, reuse and destruction. Their use is to be avoided if possible or at least reduced to a minimum. The supplier shall commit to using electric and electronic equipment that is in accord with all relevant European Union norms, including but not limited to, the RoHS guideline and the chemicals regulation REACH, even when use is in a non-European country.
- **Consumption of materials and resources and emissions:** the supplier must commit to within the framework of its work for Telefónica pay attention to ecological efficiency, especially when it comes to scarce resources such as drinking water and non-renewable resources. In addition, the emission of harmful gases into the atmosphere is to be avoided. For products and services for which substances are used that deplete the ozone layer, it must be pointed out to the supplier that substances that fall under certain international guidelines, such as the Montreal Protocol, may not be used for products and services for Telefónica.

#### **4.4 Data protection and confidential information**

The supplier must have at its disposal rules regarding the protection of data that protect the personal data, whether of customers, shareholders, employees or suppliers, entrusted to them in accordance with the applicable data protection legislation and the instructions of Telefónica. Concretely, the supplier commits to:

- Under no circumstances use the information at its disposal for another service outside of the one contractually agreed with Telefónica.

- Not transfer personal data to third parties.
- Not allow third parties to look at information or material (and to ensure that its employees and subcontractors do not do this) which it may have access to on the basis of the business relationship with Telefónica. This continues to apply in the same way after conclusion.
- Following provision of the service give back or destroy all personal data according to the instructions of Telefónica through a secure system without holding back copies and without external natural or legal persons learning about this data.
- Protect the information with great care in order to guarantee confidentiality and integrity. The supplier is to take the necessary technical and organisational measures regarding supervision, administration and storage of data in order to protect these from alteration, loss, processing or unauthorised access in accordance with the legislation regarding the protection of personal data as well as the data protection and security standards of Telefónica. Should the security or the rights and freedoms of those affected be compromised, the supplier is to act quickly and responsibly and inform Telefónica immediately.

## **5 CHANNEL FOR QUERIES AND OTHER MESSAGES**

Suppliers and its employees have the opportunity to make queries or complaints associated with observance of the aforementioned minimum standards for responsible business; this can be done through a confidential channel in the suppliers portal [sat](#):

[https://www.telefonica.com/en/web/about\\_telefonica/suppliers](https://www.telefonica.com/en/web/about_telefonica/suppliers).

Questions and other messages can be submitted anonymously or with the user's name. They are dealt with confidentially and carefully. The supplier must inform Telefónica as quickly as possible if it learns of a violation of this Code of Conduct, be it within the framework of its own work within its organisation or its supply chain.

## 6 LEGAL VALIDITY OF THE POLICY

This Policy comes into effect for the Telefónica Deutschland Group on the day of its approval by the Corporate Board.

## 7 DEFINITIONS

- **Child:** any person under the age of 15, provided the age limit is not higher for work or compulsory school attendance in accordance with local legislation. In such a case, the higher age applies. In the cases where local legislation establishes a minimum age of 14, this applies in accordance with Convention C138 of the ILO for developing countries.
- **Young person:** any person older than 15 (in accordance with the law governing the protection of young people at work) but is not yet 18 years of age.
- **Child labour:** all work carried out by a child or young person within the framework of these contract clauses and that does not fulfil the regulations of the corresponding ILO norms as well as all work associated with risks, detrimental to the education of a child or young person or damaging to their health or their physical, mental, moral or social development.
- **Conflict minerals:** these refer to:
  1. The following minerals:
    - a. Cassiterite, from which tin is extracted
    - b. Coltan, from which tantalum is extracted

c. Gold

d. Wolframite, from which tungsten is extracted

2. Minerals that are extracted in the Democratic Republic of the Congo, Angola, Burundi, the Central African Republic, the Republic of the Congo, South Sudan, Tanzania, Uganda, Zambia or any other countries classified as areas of conflict in future.

Excluded from this definition are minerals that have been extracted in countries considered to be areas of conflict, but have a certificate (issued by an independent authority) that confirms that the extraction has not encouraged armed conflicts and/or disregard for human rights in these areas.