

# Supply Chain Sustainability Policy

## Telefónica Deutschland Holding AG

### Corporate Policy

Approved by the Management Board of the Telefónica Deutschland Holding AG on 18 March 2020.



March 2020

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## 1 INTRODUCTION

Telefónica is aware of its responsibility in the supply chain arising from both its international presence and the influence enabled by its business volumes. For this reason, Telefónica promotes, establishes and maintains high responsible business standards vis-à-vis its suppliers, promoting compliance not only with respect to product and/or service quality standards, but also with respect to legislation as well as ethical, social, environmental and privacy standards throughout Telefónica's supply chain.

This Policy has its origins in the **Telefónica Business Principles** which constitute the reference framework in the relationship of the Company with its different stakeholders, and more specifically in **the commitment taken on by Telefónica with Sustainable Management in the Supply Chain**.

It has been drafted in accordance to international norms such as **the Governing Principles for Companies, the UN Universal Declaration of Human Rights, the International Labour Organization conventions**, the UN Convention on the Rights of the Child, **OECD** (The Organisation for Economic Co-operation and Development) **guidelines**, and **ISO** (International Standards Organization) **criteria**.

This Policy is not only in line with the vision Telefónica has in terms of sustainability and risk management but also with a strategic business position in which we consider as extremely important:

- The establishment of stable and mutually beneficial relationships with our suppliers.
- Compliance with applicable legislation as well as with standards regarding ethical and responsible behaviour and social, environmental and privacy matters, not only by the Company itself and its employees, but also by its business partners.

It also reinforces our commitment with **United Nations initiatives of Global Compact, the Sustainable Development Goals**, and the defence of **Human Rights**.

## **2 SCOPE OF APPLICATION**

This Policy has the character of a Corporate Policy and, therefore, is applicable to all Telefónica Deutschland Holding AG Group companies.

Telefónica, S.A. in its role as parent company in the Group, establishes the fundamentals, instruments and mechanisms needed for an appropriate and efficient coordination between this Company and the other group companies; this remains without prejudice to and not undermine the autonomous decision making capability that corresponds to each of these companies, in accordance with their own corporate purpose of each of and the fiduciary duties that the members of their Boards of Directors have with regard to their shareholders.

This policy **applies to all purchases of products and services of the companies in the Telefónica Deutschland Holding AG Group**, regardless of its operations and geographical location.

Similarly, **it refers to the entirety of the Telefónica Deutschland Holding AG Group supply chain**, applying to both direct and indirect suppliers. This implies the supplier will respond jointly and severally, and without limits, for any breaches of the minimum standards included in this Policy.

## **3 GENERAL PRINCIPLES OF ACTION**

Telefónica is committed to acting with rigor, objectivity, transparency, and professionalism in its relationships with supplies, and specifically with:

- Always act ethically and responsibly.
- Fulfil the commitments made to suppliers.

- Using mechanisms that promote reasonable transparency in the management of purchases, especially in negotiations with suppliers and in the decision making process for the awarding of the purchases, allowing suppliers to raise any questions that they may have. Avoid any actions that might be interpreted as dishonest, including situations of conflicts of interest or situations that generate undue advantages for the company.
- Avoid any actions that might be interpreted as dishonest, including situations of conflicts of interest or situations that generate undue advantages for the company.
- Ensuring equal opportunity to all suppliers involved in a specific procurement process, basing the selection of suppliers, the awarding of purchases and other decisions on objective criteria.
- Encouraging a culture of sustainable business among our suppliers.
- Working with our suppliers in order to ensure compliance of our Minimum Standards for Sustainable Business (contained in this document) and supporting continuous improvement.
- Evaluating compliance to the Minimum Standards for Sustainable Business demanded through independent supervision and/or verification. This verification may be carried out through information provided by the supplier itself and/or through on-site audits. Telefónica expects its suppliers to provide adequate timely responses to its requests for information, be it directly or through its verification platforms (depending on Telefónica's preference), and to provide Telefónica or its representatives reasonable access to all pertinent information, facilities, and workers in order for verification to be carried out.

Any company or organization that wishes to be considered as a Telefónica supplier must comply with the Minimum Standards for Sustainable Business, and transfer at all times the demand for compliance with the Minimum Standards for Sustainable Business to its subcontractors. Any breach of the

aforementioned standards by a Supplier will be considered a breach of contract, allowing for Telefónica to end its commercial relationship with the Supplier and giving Telefónica the right to demand any and all damage and liability which Telefónica may incur as a result of the breach and/or contract termination.

Notwithstanding the above, Telefónica may opt not to terminate the contractual relationship, but to demand corrective measures which result in compliance on the part of the Supplier of the Minimum Standards for Sustainable Business. In this case, the evaluation of the corrective measures and whether they are adequate, both in impact, form and timeframe, will be carried out exclusively by Telefónica.

It is the responsibility of suppliers to appropriately communicate this policy and to ensure that their employees and subcontractors are adequately trained on it and to operate procedures and standards that allow them to maintain compliance to it.

#### **4 MINIMUM STANDARDS FOR SUSTAINABLE BUSINESS**

To fulfil our responsibility commitment throughout our value chain, we expect our suppliers to comply with our Business Principles, which are based on the respect for and promotion of Human Rights as well as three basic values - integrity, commitment and transparency-, or equivalent principles of their own. This commitment entails compliance with the following criteria.

##### **4.1 Respect for the Law as a common criterion to the rest of the criteria**

- **Compliance with the Law:** Compliance with the Law: the supplier must at all times comply with applicable international, national or local regulations Where Telefonica's minimum standard (included in this Policy or its internal regulations) is higher than applicable regulation than this minimum standard must be applied.

## 4.2 Ethical and responsible criteria

- **Anti-corruption:** Telefónica works in accordance with current legislation, professional ethics and internal rules, not accepting any form of corruption, extortion or bribery. Suppliers will actively and consistently fight against any type of influence contrary to law or ethics with respect to the decisions of Telefónica or other companies and institutions, and will act against corruption in their own company. This includes prohibiting all forms of bribery and not permitting any person to promise, offer or give any benefit or advantage of any nature to any person for the purpose of influencing decisions of any kind (including governmental, administrative or judicial) or obtaining undue advantage, or offering or accepting gifts, entertainment or other incentives that may reward or influence a business decision.
- **Conflicts of interest:** Telefónica believes that the relationship with its suppliers should be based on loyalty that stems from common interests. In this regard, suppliers must maintain mechanisms to avoid situations of conflict of interest and to guarantee independence in the actions carried out within the framework of their relationship with Telefonica and their full compliance with applicable legislation. A conflict of interest is any situation in which the interest of Telefónica and the interest of the supplier, of persons employed by the supplier or of persons and entities linked to them collide, directly or indirectly.
- **Human Rights:** As part of its commitment to Human Rights, Telefónica conducts a due diligence process to avoid causing, avoid contributing or being linked to human rights violations. To minimize any possible risk in this regard in the supply chain, suppliers of Telefónica shall implement internal processes to identify, avoid and mitigate possible adverse impacts of their activities on human rights.

## 4.3 Social Criteria

- **Labour relationship:** The work done by the employees of the supplier must be based on a recognized labour relationship established in accordance to all applicable legislation. The obligations of the company with respect to its employees regarding labour or social security norms will not be avoided. Abuse of service provision contracts or the recurring use of subcontracts, to avoid legal obligations will not be allowed. Workers must be provided with a written employment agreement in their native language. Workers shall not be required to pay employers' or agents' recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.
- **Working hours:** The supplier's standard working hours shall respect national legislation and industry reference standards, with the criteria that offer the highest levels of protection for the employee prevailing. Workers shall not be required to work more than 48 hours per week on a regular basis and shall be provided with at least one day off for every average period of 7 days. Overtime required by the employer shall be voluntary, shall not be requested on a regular basis, and shall always be compensated at a special rate. According to ILO Convention 1, these provisions are aimed at functions other than supervision and/or management. The supplier shall encourage respect for the Right of Digital Disconnection during daily and weekly rest periods, leave, holidays or other, as well as respect for personal and family privacy beyond the working time legally or conventionally determined.
- **Salaries:** The employee's remuneration must meet or exceed national or, where applicable, local minimum legal requirements. The supplier must pay at least the minimum wage required by the law in force in each country for normal working hours, overtime and the differential corresponding to overtime. Salaries shall not be paid in kind. Employees must receive understandable written information on their working conditions with respect to salary prior to the commencement of employment, as well as detailed periodic information on their salary for each salaries payment. Wage

reductions are not permitted as a disciplinary measure. All disciplinary measures must be recorded.

- **Violence and Harassment at Work:** The supplier will promote a zero-tolerance environment for violence and harassment. Abuse or discipline by physical means, threat of physical abuse, sexual or other harassment, verbal abuse, or other forms of intimidation are prohibited.
- **Forced Labour and Trafficking in Persons:** Labour shall not be carried out in conditions of slavery, nor shall it be involuntary or forced. Workers are not required to give "deposits" or identity documents to their employers and will be free to leave their jobs upon legally established notice. The supplier must operate defined policy and process to ensure that nowhere in its supply chain, or in its own business, is labour provided under conditions of slavery or trafficking in persons taking place. Upon request by Telefonica suppliers will report to Telefonica the measures they have taken to ensure that their operations and supply chains are free from modern slavery and trafficking and on the success of these measures.
- **Child and Young Person labour:** The supplier shall guarantee that there will be no child labour in its activity or its own supply chain. In cases where the supplier is forced to eliminate a situation of child labour it will take place in a manner consistent with the best interests of the children concerned. Children and young people under the age of 18 that, according to local legislation may have access to the job market shall not work during the night or under dangerous conditions. Any action taken shall be in the best interests of the child, in accordance with the provisions of ILO Conventions 138 "on the minimum age for admission to employment" and 182 "on the prohibition and immediate action for the elimination of the worst forms of child labour", and shall be consistent with the UN Convention on the Rights of the Child.

- **Freedom of association and the right to collective bargaining:** Workers of the supplier and its subcontractors shall have the right to form and join trade unions and collectively bargain in accordance with the national law. 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. Where legislation limits the right to freedom of association and collective bargaining, the employer should consider facilitating, not hindering, the development of parallel legal means for free and independent association and bargaining.
- **Diversity, Inclusion and Non-discrimination:**
  - The supplier will internally promote diverse teams, guaranteeing the same opportunities among its employees
  - It shall pursue a policy of equality and there shall be no discrimination in recruitment, compensation, access to training, promotion, termination or retirement on grounds of gender, gender identity, ethnic origin, caste, colour, pregnancy, family status, national origin, religion, age, disability, sex, marital status, sexual orientation, trade union membership or political affiliation, or any other circumstance.
  - Promote the implementation of conciliation measures that favour respect for the personal and family life of its employees, facilitating the best balance between the latter and their work responsibilities according to applicable laws.
- **Health and Safety:**
  - The supplier shall provide its employees with a safe and healthy working environment, taking into account local, national and international standards and in accordance with the specific hazards/risks of each activity.

- Adequate measures must be taken to prevent injury and the occurrence of accidents, related to or occurring during work, minimizing the causes of the dangers inherent to the activities and work environment.
- The supplier shall provide its employees with appropriate tools for their activity, as well as any Individual or Collective Protection Equipment necessary to ensure safe working conditions considering the risk level to which they are exposed.
- Workers shall receive training regarding Health and Safety that enables them to identify any dangers associated with the activity and the work environment, and the practices necessary for minimizing the risks.
- Access to clean toilets, fresh water and sanitary facilities for the storage and consumption of food will be provided to workers.
- When board is provided, said board will be clean, safe, and will satisfy the basic needs of the workers.
- The company will assign a senior Manager responsible for Health and Safety.
- If an accident occurs, or any public health issues which affects the supplier and the interest and rights of Telefónica, they will immediately inform Telefónica.
- Suppliers will enforce or be in the process of enforcing Health and Safety policy and procedures that satisfy the requirements of ISO 45001, or other internationally recognized standards.
- Suppliers, contractors, or other personnel that work in Telefónica facilities, must comply with all of the aforementioned, and their employees and autonomous contractors must comply with the Telefónica Health and Safety criteria, as well as with any instructions indicated by Telefónica.

- Policies and procedures shall be in place to manage, minimise, track and report occupational safety risks, Industrial hygiene risks and occupational Injuries and illnesses.
- Emergency preparedness plans will be established and maintained aimed at minimizing harm to life, the environment and property.
- Upon request, the supplier reports to Telefónica any indicators requested relating to the safety, health and well-being of its employees and/or subcontractors, through the channels and within the deadlines established by Telefónica.
- **Minerals originating from areas affected by conflict and high risk (conflict minerals):** The supplier shall operate clear policy and process to ensure that they are compliant with the section 1502 of the Dodd-Frank Wall Street Reform and Protection of Consumers Law. Additionally, the supplier policy and procedures shall align with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. If required by Telefónica, the supplier must complete the Conflict Minerals Reporting Template (from the Responsible Minerals Initiative) or a similar questionnaire approved by Telefónica, with the aim of improving transparency about the origin of these type of minerals in our value chain.

#### **4.4 Environmental Criteria**

- **Compliance with the law:** the supplier shall at all times act in compliance with international, national, and local environmental legislation, especially in terms of waste, energy, emissions, noise, resource consumption and dangerous substances.
- **Life cycle and preventive action:** The supplier must apply the principle of caution, so as to minimise the possible environmental impact of its activity. To do so, it will consider the entire cycle, from extraction of the raw

materials, water consumption, production and transportation, through to the management of waste and avoiding pollution of the environment. The supplier will also ensure, as much as possible within the context of their commercial relationship, that Telefónica is alerted in order to minimise its environmental impacts offering products and services based on eco-design practices, taking into account, among others, energy consumption, the incorporation of less polluting materials, such as those from recycling, subsequent reuse, repairability, and avoiding planned obsolescence.

- **Environmental policy:** the supplier shall operate under a documented and maintained environmental policy that includes commitments to protect the environment, biodiversity, comply with all applicable laws, and continuous improvement.
- **Environmental management:** the supplier shall operate or have a plan to operate, a documented environmental management system that guarantees the effective planning, management and control of its environmental impacts. The system must satisfy the requirements of ISO 14001 or other internationally recognized standards.
- **Climate change:** the supplier will take action to minimize the impact of its activities on climate change considering in its planning for such action the entire supply chain (scopes I, II, and III). It should work to reduce its greenhouse gas emissions by setting reduction targets for the next 3 years, which should, as far as possible, be based on science. To this end, it will promote energy efficiency and renewable energy initiatives in its own activities. The supplier will support any Telefónica requests for data on greenhouse gas emissions or energy consumption relevant to the products and services it provides to Telefónica.
- **Waste:** the supplier must have systematic processes for waste management, especially those arising from its activity with Telefónica, giving priority whenever possible to reuse and recycling treatments, with the aim of

contributing to the circular economy. When the supplier manages waste derived from its activity with Telefónica, it must register the information relating to the management of such waste on the GRETEL<sup>1</sup> (Telefónica Waste Management) platform. This must be done within a maximum of two weeks following the delivery of the waste to the waste manager, unless expressly authorised otherwise by Telefónica.

- **Single Use Plastics (SUP):** Suppliers and Partners should act to reduce their use of SUP in their supply to Telefonica and in their internal operations whenever possible. Suppliers should prioritize the removal of SUP from any O2 branded product supply.
- **Eco Rating:** those suppliers that supply mobile devices to Telefónica must provide the complete results of the evaluation of each of the device models, resulting from the application of the Eco Rating methodology, which Telefónica provides them with. Likewise, during the process of validating the results, Telefónica or its representatives may request document or physical evidence to accredit the results obtained in said evaluation.
- **Dangerous substances:** the supplier will comply with all laws, regulations and requirements with respect to the prohibition or restriction of dangerous substances. Hazardous chemicals and other materials included in products, especially those listed as Substances of Very High Concern in the REACH Regulation, must be identified and managed to ensure their safe use, recycling or reuse and disposal. Their use must be avoided, and if this is not possible, reduce usage to a minimum, always complying with what is set out in said Regulation. The suppliers shall provide electric or electronic equipment that complies with all relevant European Union legislation, including but not limited to, RoHS and REACH, regardless of the country

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<sup>1</sup> The supplier must contact the area managing the contract or, failing this, the environmental area of the Telefónica company that contracts the service, to obtain the user name and access password, as well as information on the operation of the GRETEL tool (<https://gretel.telefonica.com/>). If you have any questions, please send an email to: [gretel@telefonica.com](mailto:gretel@telefonica.com).

where the product will be used, including non-European countries. In those specific cases that Telefónica requires, the supplier must sign the environmental declaration on electrical or electronic equipment in which it expressly declares compliance with said regulation, or if there is one, the equivalent regulation that is applicable in the territory in question.

- **Consumption of materials, resources, and atmospheric emissions:** The supplier shall commit to apply eco-efficient criteria in the development of its activity with Telefónica, especially with respect to scarce resources such as water. It will also reduce the emission of contaminating gasses into the atmosphere to the possible minimum.
- **Cooling gases:** The supplier shall not supply equipment containing ozone-depleting gases (such as CFC or HCFC), nor shall it refuel with these gases, unless expressly authorised by Telefónica. In the offers, priority will always be given to those gases that, being energy efficient, have a lower Global Warming Potential (PCG or GWP). For work associated with the maintenance of cooling equipment, the leakage of these gases into the atmosphere must be prevented in all cases. The supplier must also have a record of the quantity (in kilograms) of each type of gas refuelled. This information must be reported to Telefónica on a quarterly<sup>2</sup> basis.
- **Environmental training:** the supplier must have and implement an environmental training plan for those employees performing tasks involving significant environmental impact. This plan must focus on how to manage environmental aspects associated with their tasks, as well as on how to act in cases of environmental emergencies. Its content may be requested by Telefónica to validate it if it deems it necessary.

#### **4.5 Criteria for privacy, confidentiality of information and freedom of speech**

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<sup>2</sup> The supplier must report this information to the area managing the contract, or failing that, to the environmental area of the company that contracts the service.

The contracting party will inform as to whether it has a data protection management system reflecting its commitment to protect the personal data entrusted to it, whether of customers, shareholders, employees or suppliers, in accordance with applicable personal data protection legislation (international and local). The contracting partner must sign any suitable Personal Data Protection Agreement such as is applicable in the specific case containing the legal requirements with regard to all applicable data protection regulations. In particular, the contracting partner commits to:

- Process personal data only in accordance with the contractual obligations and in case of a Data Protection Agreement where Telefónica acts as controller in accordance with Telefónica's instructions and under no circumstances for its own purposes, unless authorised by Telefónica.
- Under no circumstances use the information provided for any purpose other than that for which it was provided.
- Not to communicate personal data that was processed on behalf of Telefónica to third parties, unless authorised by Telefónica.
- Not reveal to third parties (and to ensure its employees and subcontractors do not reveal) any information or confidential material to which it may have access to via its relationship with Telefónica.
- Include a paragraph in each contract dealing with the handling of personal data after termination of the contract (e.g. such as destruction or return).
- The processor will apply maximum caution when safeguarding information and personal data with the aim of ensuring its confidentiality and integrity, implementing the technical and organizational measures required with respect to the custody, storage and conservation of the data and with the aim of avoiding its alteration, loss, unauthorized treatment or access, all in accordance with legislation in force regarding intellectual property, business secrets and the protection of personal information, as applicable, as well as the security standards of Telefónica. If at any time this security is

compromised, the supplier will act quickly, diligently and responsibly and inform Telefónica immediately.

- Notwithstanding the obligations outlined above, in the event that the processor acts as the one in charge of processing the information on the communications of Telefónica's customers and/or users, it shall have procedures in place that guarantee at all times Telefónica's compliance with the obligations regarding collaboration with the Relevant Authorities<sup>3</sup>, while respecting the rights of Privacy and Freedom of Expression of those affected.
- Suppliers who design, develop and use artificial intelligence to perform the activity they carry out for Telefónica must comply with our Artificial Intelligence Principles or equivalent principles of their own.

## **5 RESPONSIBLE BUSINESS CHANNEL**

Suppliers and their employees may raise queries or complaints regarding the compliance of these minimum standards for sustainable business through our confidential channel available at the Supplier's Website<sup>4</sup>, through our Human Rights Complaints Channel<sup>5</sup> and by contacting an independent lawyer as ombudsman for anti-corruption<sup>6</sup>.

Questions and complaints may be communicated anonymously or not. All queries will be treated confidentially and thoroughly investigated. The supplier shall inform Telefónica as soon as possible if they discover any breach of the obligations set out in this policy in their own operations or supply chain (including subcontractors).

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<sup>3</sup> Judges and Courts, State Security Forces and Bodies and other administrations or governmental bodies that are empowered by law to make the Requests that are covered by this Rule. The Competent Authorities may vary according to the type of Request and the applicable legislation in each of the countries.

<sup>4</sup> [https://www.telefonica.com/en/web/about\\_telefonica/suppliers](https://www.telefonica.com/en/web/about_telefonica/suppliers)

<sup>5</sup> [humanrights-de@telefonica.com](mailto:humanrights-de@telefonica.com)

<sup>6</sup> [www.telefonica.de/ombudsmann](http://www.telefonica.de/ombudsmann)

## 6 CHANGES AND UPDATES TO THE POLICY

This Policy updates and repeals the Policy of Sustainability in the Supply Chain published and ratified in February of 2017, and will become effective on the day of its approval by the Management Board.

## 7 DEFINITIONS

- **Supplier:** For the purposes of this Policy, the term "supplier" means any company, entity, business partner - such as franchises and other marketing channels - or legal person, that provides any service and/or product to Telefónica.
- **Supply Chain:** A company's group of suppliers, including both those directly supplying the company and those who supply said suppliers all the way through to the last link in the chain.
- **Child:** Any person under the age of 15, unless local legislation establishes a higher age for mandatory work or schooling, in which case the highest age will be apply. In cases where local legislation sets the minimum age at 14 years old, this younger age will be applied in accordance to what is described in Convention 138 of the ILO for third world countries.
- **Young person:** Any person older than a child, according to the previous definition, and who is younger than 18 years of age.
- **Child labour:** All work performed by a child or young person, that does not comply with the dispositions of the pertinent ILO norms, and all work that may imply a risk or interfere with the education of a child or young person, or could be damaging to the health or physical, mental, spiritual, moral, or social development of a child or young person.
- **Conflict Minerals:** Those minerals that meet the following two conditions:
  1. Any of the following minerals:

- a. Cassiterite, the metal ore from which tin is extracted;
- b. Columbite-Tantalite, known as coltan, the metal ore from which tantalum is extracted;
- c. Gold;
- d. Wolframite, metal ore from which Tungsten is extracted.

2. Minerals that were extracted from the Democratic Republic of the Congo, Angola, Burundi, Central African Republic, Republic of the Congo, Southern Sudan, Tanzania, Uganda, Zambia, or any other Country considered as conflict area in the future.

Excluded from this definition or category are those minerals that, having been extracted from countries considered to be areas of conflict, have the corresponding certification (*by an independent body*) that accredits that their extraction has not encouraged armed conflicts and/or abused Human Rights in said areas.