

Separate Non-Financial Group Report

Telefónica Deutschland Holding AG
for the reporting year 2022

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About this report

Telefónica Deutschland Holding AG has prepared the Separate Non-Financial Group Report for the Telefónica Deutschland Group for the financial year 2022 in accordance with Section 315b, c of the German Commercial Code (HGB) in conjunction with Section 289c–e HGB. This report was published on the website www.telefonica.de/nfs on 1 March 2023.

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

In preparing the Non-Financial Report, the Telefónica Deutschland Group based its descriptions of the concepts and presentation of the various key performance indicators (KPIs) in particular on the GRI Standards. The company also uses this Non-Financial Report to meet its regulatory information and reporting obligations as per REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the EU Taxonomy Regulation).

References to disclosures made outside of the Combined Management Report relate to supplementary information and do not constitute part of the Separate Non-Financial Group Report. For comprehensive sustainability reporting, please see the Telefónica Deutschland Group's Corporate Responsibility Report (CR Report), which will be available at www.telefonica.de/sustainability from May 2023. This sustainability report is prepared in accordance with the GRI Standards ("in accordance" option) and in orientation to the Sustainability Accounting Standards Board (SASB) frameworks, the specifications of the Task Force on Climate-related Financial Disclosures (TCFD) and the principles of the UN Global Compact.

Business activities of the Telefónica Deutschland Group

The Telefónica Deutschland Group is one of the three leading integrated network operators in Germany. The company offers mobile and fixed services for private and business customers as well as innovative digital products and services. In addition, numerous wholesale partners purchase the extensive mobile communications services of the Telefónica Deutschland Group.

In the mobile sector, the company serves the demand for mobile services as a consequence of the digitalisation of ever more areas of life. With a total of 44.3 million mobile connections as of 31 December 2022, Telefónica Deutschland Group is a leading provider in this market. In 2022, at EUR 5,742 million, mobile services were the most important revenue stream for the company (69.8% of the total volume). In this area, the Telefónica Deutschland Group offers private and business customers mobile voice and data services both on a contractual basis (postpaid) and in the prepaid segment. The basis for this is the mobile communications network of the company. In addition, Telefónica Deutschland offers nationwide fixed services to complement its mobile services. The fixed line network customer base amounted to approximately 2.3 million at the 2022 year end. The Telefónica Deutschland Group belongs to the Telefónica, S.A. Group, one of the world's largest telecommunications companies.

The Telefónica Deutschland Group's business model is described in detail in the "Basic information on the Group" section of the [Combined Management Report 2022](#) .

Determination of the material non-financial topics and risks

Process of preparing the Non-Financial Report

To prepare the 2022 Non-Financial Report, the Telefónica Deutschland Group analysed and evaluated sustainability issues in terms of the requirements pursuant to Section 289c HGB. The company's sustainability strategy is managed within the organisation via the Responsible Business Plan (RBP) 2025 and aims to achieve various sustainability targets. The RBP 2025 was developed on the basis of the materiality analysis conducted in 2020; here, a structured method was used to identify seven areas of action and 24 potentially material topics for the Telefónica Deutschland Group and then assign them to a materiality matrix.

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

Impact analysis and examination of short-term business relevance

We performed an impact analysis in 2022 in order to update the materiality analysis. Based on this, we identified the material topics upon which the Telefónica Deutschland Group has a significant influence. In addition to the impact analysis, the company used set evaluation aspects to determine the relevance of the topics to business. The results of the 2020 materiality analysis were reconfirmed, and human rights were identified as an additional material topic. The resultant material topics were then approved by the Management Board, and the Supervisory Board was notified of this.

Results of the materiality analysis

Based on the analysis, a total of eleven topics were identified as being material, and these were assigned to seven overarching sustainability aspects for the purposes of better readability:

Governance matters including the topic of governance for responsible corporate management

Customer matters, featuring the following topics:

Product and service experience

Network quality and coverage

Matters regarding data protection and information security, featuring topics bearing the same names

Anti-corruption/anti-bribery, featuring the topic of compliance and conflicts of interest

Human rights with a focus on social standards in the supply chain

Employee matters, featuring the following topics:

Labour-management relations

Diversity, equal opportunity and non-discrimination

Training and professional development as well as lifelong learning

Employee health and safety

Environmental matters with the topic of energy and CO₂

The other topics stated which go above and beyond the aspects listed in Section 289c HGB are topics with high relevance to the business of the Telefónica Deutschland Group.

Likewise, the company's activities have relevant impacts on these topics. The Telefónica Deutschland Group rated the aspect of human rights as material within the meaning of Section 289c HGB for the first time. In the analysis, this aspect's business relevance exceeded the threshold in this financial year for the following reasons: in view of the current political and economic developments around the world, ensuring that human rights are upheld is of maximum sociopolitical relevance, including with regard to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which will apply to the Telefónica Deutschland Group from 2023, the EU's Taxonomy Regulation and the European Union's future regulatory initiatives. The company considers the safeguarding of labour and social standards in the supply chain to be of particular relevance to its business. This includes in particular the conditions in the areas of occupational safety, health, observing work hours and fair remuneration within the company's own value chain.

Determination of the material non-financial risks

The analysis of the business relevance of the identified non-financial topics was followed by an assessment of the risk scenarios in terms of their probability of occurrence and their potential to have a detrimental impact. In line with the criteria of established risk management, the Telefónica Deutschland Group performed a net assessment of the risks. A detailed description of the processes can be found in the "Risk and opportunity management" section of the [2022 Combined Management Report](#) .

Based on the probability of occurrence already determined, a conservative approach was adopted in which risks were considered with a probability of occurrence deemed to be "likely" or "highly likely". The potential for the risks to have a detrimental impact on the relevant aspects was determined on the basis of the criteria relating to the severity of the impacts on an aspect, the number of people actually or potentially affected and the possibility of restoring the original condition before the impact occurred. In this risk assessment, the Telefónica Deutschland Group identified the potential for a material risk pursuant to Section 289c HGB in the areas of customer matters and information security, which it is counteracting with comprehensive measures (see "[Customer matters](#)" and "[Data protection and information security](#)" chapters).

Governance for responsible corporate management

THE KEY FACTS:

- ✓ New training on the Business Principles focuses on ESG topics in order to help drive the company's sustainable transformation forward.
- ✓ System of bonus remuneration for the Management Board for sustainable conduct refined further: as of 2022, the proportion of women in senior management positions has more weight (3%) in the calculation of bonuses.
- ✓ In 2022, the Telefónica Deutschland Group was able to maintain its good to very good ESG rating results at a stable level.

BASIC PRINCIPLE AND CHALLENGES

Governance for responsible corporate management secures sustainable value creation

"We democratise access to a sustainable digital future to make day-to-day life better for everyone." This is the Telefónica Deutschland Group's business purpose and this therefore guides its actions. In the interests of governance for responsible corporate management, the company aims to keep an eye on the impacts that all of its business activities have on people and the environment. The goal is to guarantee this all along the value chain and at all the company levels. Technological innovations are to be used to solve societal challenges and promote sustainable development. Through governance for responsible corporate management, the Telefónica Deutschland Group wishes to contribute to making market economy mechanisms work and to boosting people's faith in businesses.

The Telefónica Deutschland Group's [Business Principles](#) serve as the foundation for its actions. They document its understanding of governance for responsible corporate management on the basis of ethical principles, corporate standards and behaviour patterns. These are derived from the three fundamental values of integrity, reliability and transparency and act as a binding code of conduct that sets benchmarks for our involvement in business life. The Telefónica Deutschland Group wishes to be a company which is trusted by its customers, employees, suppliers, shareholders and society as a whole. It is therefore the Group's primary aspiration to present the principles which govern its actions to its stakeholders clearly and unequivocally. To ensure that all the employees including the Management Board have a thorough understanding of these Business Principles, they are given regular, mandatory training on observing these principles.

After the war in Ukraine started, the Telefónica Deutschland Group established a cross-divisional observer group to coordinate social engagement for the people of Ukraine and continuously monitor the impacts of the political and economic developments on the company. The team regularly assesses the potential risks for business operations in a structured process. In response to the sanctions imposed on Russia and Belarus, the relevant processes and business partners were reviewed. As the Telefónica Deutschland Group is neither an importing nor an exporting company, the risk profile is low.

PROCESSES AND MANAGEMENT

Clear governance structures and requirements

The Management Board and Supervisory Board of Telefónica Deutschland Holding AG are committed to observing the principles of transparent [corporate governance](#) and regularly concern themselves with the requirements of the [German Corporate Governance Code \(GCGC\)](#). The Management Board runs the company on its own responsibility and in the interests of the company with the aim of achieving sustainable value creation. It is supervised in this and offered advice by the Supervisory Board. All measures and decisions of fundamental significance to the company are executed on the basis of close consultation between the Management Board and the Supervisory Board. The Management Board and Supervisory Board provide information on this in Telefónica Deutschland Holding AG's Management Declaration.

Corporate responsibility/sustainability is an integral part of the Telefónica Deutschland Group’s business mindset and activities. It attaches importance to transparent reporting regarding its sustainability performance. The Management Board approves the material non-financial topics for the Telefónica Deutschland Group every year and submits them to the Supervisory Board for its information. Due diligence obligations and the impacts on people, society and the environment are likewise part of this process. The most important stakeholders were involved in determination of the material topics by means of a materiality analysis. In particular, the Management Board receives an annual executive report regarding the company’s human rights and environment-related due diligence obligations in the past financial year and the latest human rights developments in politics and society as well as within the company. The Management Board bears responsibility for human rights being upheld. The Human Rights Officer appointed in 2022 is responsible for monitoring human rights risk management, while the Human Rights and Environment Committee is responsible for implementation of the human rights strategy and for the complaints procedure in the event of violations of or reports concerning human rights and environmental aspects.

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

The Telefónica Deutschland Group’s [Business Principles](#) act as a binding code of conduct that sets ethical, environmental and social benchmarks for its involvement in the business world. The Business Principles were comprehensively revised in the year under review. The company’s aim in doing so was to ensure that they continue to take into account the latest market and societal requirements. All the employees are given regular, mandatory training on the Business Principles. After the code of conduct was revised, the training was also adapted, with the focus now placed on ESG topics in order that all staff can jointly take the company’s sustainable transformation forward (see also the “[Anti-corruption and conflicts of interest](#)” chapter).

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Governance

	Unit	2022	2021	2020
Employees and directors given training on the Business Principles and human rights ¹	%	84.3	97.7	95.8

¹ Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,181; previous year: 7,030). The calculation includes the completed training units of the last three years. For 2022 this means 6,055 completed training units between 1 January 2020 and 31 December 2022.

Responsible Business Plan governs sustainability management

The Telefónica Deutschland Group’s CR strategy is approved by the Management Board. It is an integral part of the corporate strategy and is also based on the global sustainability strategy of the Telefónica, S.A. Group. The Telefónica Deutschland Group has established clear governance structures and processes in order to put the guiding principles and requirements into day-to-day practice. The [Responsible Business Plan](#) is the key tool when it comes to the Group’s sustainability management. It serves as the framework for the sustainability targets and activities of the departments and company sites. A more detailed evaluation of the progress made can be found in the CR Report 2022.

The Corporate Responsibility and Sustainability (CR & S) directorate is responsible for managing the sustainability activities of all the departments and company sites. It develops the sustainability strategy, monitors achievement of the CR goals and plans new measures together with the departments. The CR & S directorate also draws on the management systems embedded in the company, which are in accordance with the standards [ISO 50001 \(energy management\)](#), [ISO 14001 \(environmental management\)](#) and [ISO 9001 \(quality management\)](#), for the purposes of goal formulation and a continuous improvement process.

The CR & S directorate is assigned to the Management Board division Legal and Corporate Affairs of Telefónica Deutschland Holding AG and reports directly to the Management Board member responsible for Legal and Corporate Affairs. The Supervisory Board is integrated into the creation of the Non-Financial Report for the fulfilment of the requirements pursuant to Section 315b in conjunction with Section 289c HGB. The Supervisory Board discusses the findings of the audit of the Non-Financial Statement and the related performance indicators with the auditors and then passes a resolution following its own audit.

Bonus system offers incentives for sustainable conduct

The Telefónica Deutschland Group uses management bonuses as an incentive for the achievement of its company targets. Since 2019 it has intentionally linked bonus payments for the Management Board, executives and certain experts to the company’s performance with regard to its sustainability targets. In addition to financial performance indicators, which have a weighting of 80%, there are therefore also non-financial criteria with a weighting of 20%. The latter include boosting customer satisfaction, strengthening the Group’s reputation, reducing CO₂ emissions and increasing the proportion of women in management positions. The Telefónica Deutschland Group’s targets for 2022 are the same as the previous year’s performance indicators; however, the NPS gap and the proportion of women in management positions have both been afforded slightly greater weightings. The NPS has a slightly lower weighting than in the previous year. Specifically, the following criteria are included:

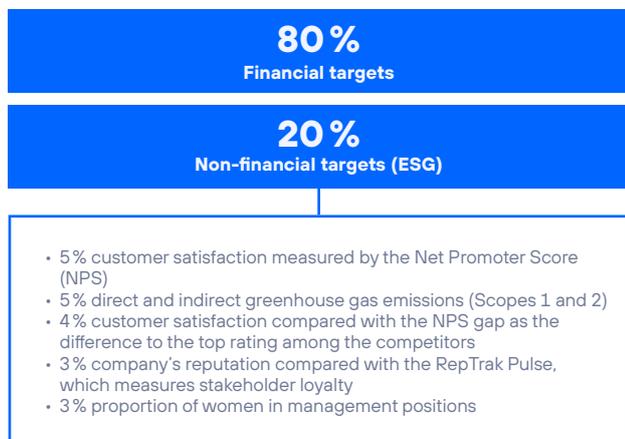
- The Net Promoter Score (NPS) measures the customers’ willingness to recommend their service provider. This makes up 5% of the bonus.

- The company’s reduction in direct and indirect greenhouse gas emissions is calculated using the Greenhouse Gas Protocol. Scope 1 and 2 greenhouse gas emissions make up 5% of the bonus.
- The NPS gap measures the difference between the NPS of the Telefónica Deutschland Group and that of the top competitor. This accounts for 4% of the bonus.
- The RepTrak Pulse measures the company’s reputation. It makes up 3% of the bonus.
- The proportion of women in top management positions (appointment to senior management) serves as the performance indicator for gender equality. It accounts for 3% of the bonus.

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

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Variable remuneration is linked to sustainability targets:



STRATEGIC PRIORITIES

Evaluating political and societal requirements

The CR & S directorate regularly maintains direct contact with the individual departments and also exchanges information within the context of internal steering bodies such as the CR Committee, the Energy Committee, the Data Protection Forum, and the Human Rights and Environment Committee. Here, the general strategies are discussed, potential risks are evaluated, progress is established and projects and measures are assessed. The results are reported to the Management Board. When it comes to overarching specialist and Group-wide issues relevant to corporate responsibility, the Telefónica Deutschland Group confers with the Telefónica, S.A. Group.

The Telefónica Deutschland Group’s actions were guided in 2022 by clear commitments to each of the areas of action and topics of the Responsible Business Plan 2025 as the key tool when it came to sustainability management. These commitments can only be altered through a Management Board decision in justified exceptional cases. Concrete CR targets for the commitments are established together with the departments annually and cleared by the Telefónica Deutschland Group Management Board, the highest management level. The targets are integrated into the management processes and are made quantifiable via meaningful key performance indicators (KPIs). The extent to which the CR targets have been attained is regularly reviewed together with the senior management of the departments involved. The target attainment level is also reviewed and tracked by the Management Board every six months.

ESG leadership role confirmed once again

The Telefónica Deutschland Group manages its ESG performance via regular analyses, from which it then derives improvement measures in the areas of environmental and climate protection, social commitment and corporate governance. It also draws on sustainability ratings for this. The Telefónica Deutschland Group’s ESG performance was successfully kept stable in the ratings the company focuses on – those of Sustainalytics, Morgan Stanley Capital International (MSCI) and ISS ESG – again good to very good results were achieved.

Material non-financial topics

Customer matters

The Telefónica Deutschland Group aspires to offering its customers the services that best suit their specific needs within the best possible network. The company therefore continuously optimises the product and service experience and invests in its telecommunication network's quality and coverage.

Product and service experience

THE KEY FACTS:

✓ The Telefónica Deutschland Group further optimised its excellent customer service with revised customer service guidelines and the AI assistance function Aura.

✓ With an overall rating of 1.8 in the 2022 connect customer barometer, O₂ succeeded in moving up from third place in the previous year to first place, which O₂ shares with two other network operators.

✓ The Telefónica Deutschland Group expanded its digital services relating to the Internet of Things and cloud-based networks for business customers. Thereby supporting businesses and local authorities with digitalisation.

BASIC PRINCIPLE AND CHALLENGES

The focus is on the customer

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

The Telefónica Deutschland Group remains in a market environment which is dynamic yet rational and was able to record strong customer development in 2022. In this environment characterised by momentous technical change, the company faces the challenge of meeting technical and regulatory requirements, anticipating the customers' wishes as best it can and offering them guidance and assistance in an increasingly complex product world. It aspires to seeing the world through the eyes of its customers and offering them an excellent service experience at all times that suits their habits and individual needs.

The Telefónica Deutschland Group confirmed the product and service experience as being a material sustainability topic in the

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

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

In this regard, offering the customers transparency at all times regarding how their data is used and allowing them to determine themselves how it is used are top priorities for the Telefónica Deutschland Group. It also sees it as its responsibility to protect

people's health in relation to the use of mobile communications technology and to ensure there is responsible youth media protection.

Greater need for advice in the reporting year

With many customers working from home, there was additional need for advice once again in 2022, albeit not to the same extent as during the previous year's lockdowns. The Telefónica Deutschland Group also registered an increase in demand for customer service advice in early 2022 following the entry into force of the new Telecommunications Act (TKG) on 1 December 2021 as this involves stricter information obligations before a contract is concluded as well as new contract summary requirements. The company thoroughly prepared for this situation change in advance and was able to offer its customers service of the usual high quality. The TKG has resulted in customers being able to terminate their contracts monthly once they have completed the minimum term. The Telefónica Deutschland Group was able to offset the slightly higher churn rates expected in the German market in 2022 by acquiring new customers, among other things with special offers to mark the 20th anniversary of the O₂ brand, tariff innovations with higher speeds and the best possible service. Inflation and the energy crisis are resulting in uncertainty and in people being more restrained in their consumption. According to surveys, they want to spend less money on mobile phones, for example, whereas mobile telephony has become a basic service.¹ Among business customers, too, potential new customers are being reticent about switching providers.

PROCESSES AND MANAGEMENT

Transparently assessing and boosting customer satisfaction

The Telefónica Deutschland Group aims to understand and anticipate its customers' needs and opinions. The company wishes to measure their level of satisfaction with its products and services as accurately as possible and continuously improve on this. The Chief Consumer Officer (CCO) and the Chief Partner and Wholesale Officer (CPWO) of Telefónica Deutschland Holding AG bear overall responsibility for the area of customer satisfaction. The CCO is responsible for private customer business with a clear focus on the customer experience, the CPWO has responsibility for business with partners, and the Chief Executive Officer (CEO) is in charge of the B2B division. Central management of customer satisfaction and detailed analysis of this based on customer surveys are firmly embedded in the company with the Consumer Experience department within the Customer Marketing directorate.

The Telefónica Deutschland Group pursues target-group-specific product and service strategies, for example for people with a migrant background, older or younger people, the self-employed, SMEs or major enterprises. This targeted customer segmentation is achieved among other things thanks to the

Telefónica Deutschland Group's successful partner strategy. Partner brands such as ALDI TALK, Tchibo Mobil and NettoKOM allow for targeted market access in the discount segment, and brands such as AY YILDIZ, Ortel Mobile or Lebara do the same in the segment targeting ethnic groups. The business customer strategy focuses on growth in the core areas of mobile communications and the fixed line network as well as on further expansion of digital services relating to 5G, the Internet of Things (IoT), the cloud and security. The objective is accelerated growth in the area of business customers.

The key performance indicators and important control parameters in the area of customer relations that the Telefónica Deutschland Group uses are the Net Promoter Score (NPS) and the churn rate. The NPS provides insight into the customers' willingness to recommend the company to others. It therefore reflects the overall customer satisfaction with the brands as well as with the products and services. The Telefónica Deutschland Group ascertains the NPS at two levels: top-down NPS and bottom-up NPS. The top-down NPS is determined with the aid of an externally conducted telephone survey of the company's private customers for the brands O₂, Blau, Tchibo Mobil, and ALDI TALK as well as for competitors several times a year. It applies industry-wide standards and therefore allows for comparison with the competition. Market research is the responsibility of the Director of the Digital & Data Competence Center (DDC) within the Finance division. The Telefónica Deutschland Group uses bottom-up NPS to assess customer satisfaction with the O₂ brand at all the contact points along the entire customer journey. It uses this direct feedback to derive concrete measures to further enhance the customer experience and also to determine whether previously implemented improvement measures meet the customers' requirements and are having an effect.

The Telefónica Deutschland Group registered a positive development in the NPS in 2022. Accordingly, customer churn rates in postpaid also remained at a low level due to sustained optimisation measures and quality improvements in the O₂ network, though as expected slightly above that of the previous year due to the introduction of the European Electronic Communications Code (EECC). The churn rate for the O₂ brand was therefore 1.1% in 2022 (+0.2 percentage points year-on-year), while the implied annualised churn rate for the O₂ brand was 13.1% (2021: 11.1%).

T 02

Customer loyalty: churn rate of the O₂ brand

	Unit	2022	2021	2020
O ₂ consumer postpaid	%	1.1	0.9	1.1

¹ Source: Market Intelligence & Research 08/2022.

Clear customer service guidelines

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

The roles of the various contact channels are continuously reviewed, and targets and measures to boost customer satisfaction are derived. The Telefónica Deutschland Group intends to continue to ensure that its customers can reach the company using their preferred channel in the future, too.

Using feedback for improvements

In order to keep customer satisfaction high, the Telefónica Deutschland Group responds to incoming queries as quickly as possible and according to defined workflows. The feedback received from customers and employees is used in a continuous improvement process to optimise procedures and therefore the customer experience as well. With the customers' consent, the Telefónica Deutschland Group uses, among other things, automated speech analysis for incoming telephone calls in order to evaluate the reasons for the calls and the wishes of customers faster and to record them systematically. Employees can also directly make a record of improvement suggestions and customer wishes that arise in dialogue with the customers and then pass these on and implement them as part of the continuous improvement process. Specially created, trained callback teams call the customers regarding their feedback if they request this. As well as resolving problems quickly, the focus is in particular on gaining a better understanding of the customers' needs and wishes. The Telefónica Deutschland Group offers a dedicated callback service online or via its app to prevent lengthy hotline waiting times. The complaints process is governed by a standard operating procedure.

Through speech analysis, examining the customers' feedback very carefully and regular employee feedback from the operating units, conspicuous fluctuations in contact reasons or voiced customer problems are reported and the Telefónica Deutschland Group uses these to derive concrete improvement measures. These are analysed and implemented as promptly as possible as part of the continuous improvement process. The chosen topics are respectively assigned to a person responsible and the

progress made with them is tracked via regular documentation. The speech analysis is anonymised in order to comply with data privacy requirements.

The Telefónica Deutschland Group has set itself ambitious targets in the area of customer satisfaction: it aims to offer excellent customer service with a high level of customer satisfaction. It evaluates the status of its target attainment on the basis of internal performance indicators taken from direct customer surveys as well as from external evaluations such as the regular tests conducted by special-interest magazines. The Telefónica Deutschland Group is also continuously improving and expanding its digital offerings and aims to provide the customers with uncomplicated customer service around the clock and independent of location. The Telefónica Deutschland Group achieved its target of 80% of all instances of contact with O₂ and Blau being digital in the self-service area by the end of 2022.

STRATEGIC PRIORITIES

Excellent services for all customer groups

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

- Introduction of a Turkish service hotline
- Introduction of a hotline for the hearing impaired
- Introduction of a new contact form on the O₂ website

Following the successful introduction of the One Care programme offering customers business service for O₂ Mobile and DSL from a single source, the Telefónica Deutschland Group was able to implement its One Tech programme in 2022. The employees were given extensive training in this and can now advise customers on technical matters relating to the mobile and fixed line networks. The customers therefore experience technical service from a single source.

Realising good ideas in the face of resistance and making visions a reality are also ideas conveyed by the new O₂ brand campaign, which presents a "can do" attitude. The focus here is on authenticity, real life and the importance of digital connectivity.

O₂ is one of the most popular network operators in Germany, as illustrated by the 2022 [connect](#) customer barometer. With an overall rating of 1.8, O₂ succeeded in moving up from third place in the previous year to first place, which O₂ shares with two other network operators. In the categories of customer service, brand and service app, O₂ even shares the top spot with only one other service provider (more information on awards for the

Telefónica Deutschland Group's customer service available on its [website](#) ↗).

For the customers of its ethnic brands Ortel Mobile and AY YILDIZ – primarily people with a migrant background or tourists – the Telefónica Deutschland Group continues to expand the digital access channels and is making simplified payment methods available which can be accessed at any time. Since 2021, Ortel Mobile and AY YILDIZ customers have also had the option of topping up their phones by means of instant transfer, credit card and PayPal. Top-ups for customers of the Ortel Mobile brand were also incorporated into the Alipay portfolio. The Telefónica Deutschland Group achieved its target of increasing prepaid top-ups using this solution by at least 50% in the year under review. Specialist retailers and the operators of partner shops within the mobile communications industry favour AY YILDIZ and Ortel Mobile when it comes to ethnic mobile operators. This was the conclusion of the readers of the specialist sales magazine *Telecom Handel* once again in 2022.

The Telefónica Deutschland Group now offers its business customers a personalised service concept. All business customers have designated customer service contacts. They are then offered tailored service and can therefore feel that they are in good hands. The Telefónica Deutschland Group continues to expand its portfolio of services for business customers. In 2022 it launched O₂ Switch as a new migration service, making it easier for new customers to switch from their existing service provider to O₂.

Promoting digital services

When planning measures to implement, the Telefónica Deutschland Group's focus is on improving the customer experience. That is why, in addition to optimising the quality of its customer service, it is also aiming to improve contact possibilities by pushing ahead with digital solutions based on a digital action plan. At the same time, it wants to inspire its customers to make self-determined use of digital technologies with its products and bases its communication measures on this. The Mein O₂ service portal allows for swift and intuitive access to self-service solutions. Thanks to the ongoing analysis of customer feedback and content optimisations, 98% of the customers were able to solve their issues directly online in the reporting year.

Artificial intelligence (AI) and dynamic execution on the basis of natural language understanding (NLU) make information access easier and reduce the number of click steps. The O₂ brand's AI assistance function Aura now greets customers in the O₂ website chat, in the WhatsApp service channel and, since 2022, also on the hotline. The Telefónica Deutschland Group therefore offers a consistent user experience across all the contact channels. The assistance function uses personalised data to autonomously resolve customers' issues or involve an employee to resolve them. The current fields of application include network fault checks, viewing invoice payment statuses and tariffs, enquiring about data volumes, topping up credit in the prepaid area and making use of multimedia services. The Telefónica Deutschland

Group has a particular responsibility as a company when using AI and therefore follows [ethical principles](#) ↗ with which it wishes to place the focus on people's interests and boost their confidence in this technology. To this end, the Telefónica Deutschland Group has developed guidelines that lay out criteria on the basis of which all AI-related projects are evaluated. The company has also made a commitment to recognising the Corporate Digital Responsibility (CDR) Code. As such, it recognises nine guiding principles of digital responsibility with five CDR areas of action regarding which it has published its measures, among other things for the handling of data, in the [CDR Report](#) ↗. The Telefónica Deutschland Group also bases its actions in this area on Telefónica, S.A.'s [Digital Manifesto](#) ↗.

With more than 730,000 registered members and over four million visitors a year, the O₂ Community is another important digital platform for O₂ customers. Within this dialogue channel, they can seek assistance from other customers as well as O₂ employees regarding their specific issues, communicate with each other, provide feedback on products and processes from the customers' perspective and themselves test O₂ products as well as devices and gadgets sold by O₂ for free. For O₂, interaction with the users represents a major opportunity to better understand customer needs and incorporate them directly into product improvements. To reach as many customers and interested parties as possible, the O₂ Community is incorporated into the [www.o2online.de](#) ↗ website and the Mein O₂ app, and there are also links to it from the O₂ social media channels. Based on the conversations conducted, the Telefónica Deutschland Group sees how much the users appreciate open, transparent and honest communication regarding current topics and problems.

Promoting sustainable purchasing decisions

O₂ provides information on products and services that helps customers consider the smartphones offered from a sustainability perspective, from the purchasing decision through to recycling. The Telefónica Deutschland Group has consolidated its environmentally friendly offerings under the mission statement of "Let's Keep the Planet Blue", from the sustainable Fairphone and a mobile communications network run entirely on green electricity to mobile phone recycling. With the mobile phone buyback programme launched in 2021, customers can sell used devices at their current residual value via the hotline and online channel or even with immediate settlement at any O₂ shop – irrespective of where they were originally bought. With the industry-wide Eco Rating, consumers can determine the impact on the environment of the entire process of manufacturing, using and disposing of a smartphone.

Since the year under review, O₂ customers have been able to apply to the Telefónica Deutschland Group for compensation of the greenhouse gas premium based on the climate-friendly running of their electric cars. The company is the first mobile operator to offer this service. The cooperation partner is eQuota GmbH.

Telefónica, S. A. has introduced an Eco Smart certification mark to highlight products and services that make a significant contribution to reducing energy, CO₂ and water consumption and to promoting the circular economy. German business customers can use this certification mark to take sustainability criteria into account in their purchasing decisions as well – 57% of the Telefónica Deutschland Group's business customer products were awarded this label in 2022. The awarding of this certification mark is monitored by the certification company AENOR.

Strong offerings for private customers

Sustainable growth and excellent customer satisfaction are high priorities for the Telefónica Deutschland Group. To achieve these, it offers, among other things, innovative tariffs that are designed to make the customers' lives simpler, faster and better.

On the 20th anniversary of the O₂ brand in 2022, the Telefónica Deutschland Group launched the O₂ Grow tariff, Germany's first tariff that grows. The customers are automatically awarded additional monthly data volume each year at no extra cost. All customers with a higher-end postpaid mobile communications tariff can use the 5G network at no extra charge. The Telefónica Deutschland Group 5G-enabled an array of additional O₂ tariffs for SMEs and the self-employed in 2022. With this new portfolio, it is specifically addressing the needs of small businesses. With the Mein O₂ app, customers can view relevant information such as data volumes or contractual conditions and purchase additional products if needed.

The Internet@Home area features O₂ my Home as a uniform tariff which applies equally to DSL, cable, fibre optics and the mobile-communications-based O₂ HomeSpot. Across all the sales channels, customers virtually automatically receive the appropriate Internet service for their home. In May 2022 the Telefónica Deutschland Group was able to offer more than 22 million cable households in Germany an O₂ my Home tariff with 1 Gbit/s for the first time thanks to the expansion of its cooperation with Vodafone and Tele Columbus. The company additionally expanded its high-speed offering in October 2022 with the launch of a new 500 Mbit/s tariff. And in November, the Telefónica Deutschland Group established the largest gigabit availabilities in Germany with O₂ my Home by connecting to Deutsche Telekom's fibre-optic network.

Since 2019 the Telefónica Deutschland Group has made it possible for its customers to watch live TV in HD quality at any time and anywhere for an attractive price. By bundling the product O₂ TV with streaming services such as Netflix and WOW, it was able to expand the customers' TV experience with additional digital options. Its entertainment offering is rounded off by a gaming offering that affords customers access to an array of online platforms, including the product Microsoft Cloud Gaming. In addition to the entertainment-related offerings, the array of services that enhance customers' digital lives and make them easier is further augmented by O₂ Cloud and the updated O₂ Protect portfolio.

All the major providers of digital services now accept payment via mobile phone bill. Once again in 2022, the Telefónica Deutschland Group offered payment via mobile phone bill in certain non-digital content scenarios such as bike sharing via nextbike. With these options, too, security comes first. By participating in programmes such as the Clean Market Initiative, a joint quality offensive involving all mobile operators, the Telefónica Deutschland Group has made a commitment to meeting the highest possible consumer protection standards at all times.

Via what is known as the Telefónica Deutschland Group's SIM swap interface, providers of security solutions can determine when a SIM card has been activated or swapped and can therefore identify possible incidences of fraud. This service is used by, among others, banks, fintech enterprises, social networks and authorities to protect users from identity theft and financial losses. A service launched by the Telefónica Deutschland Group in 2022 as part of its "smart digits" portfolio offers additional security, enabling partners to compare the telephone number supplied by a customer with the actual telephone number of the mobile device.

Innovative solutions for business customers

In the B2B area, business customers can choose from a variety of tariff solutions that are secure, fair and reliable. The Telefónica Deutschland Group offers the self-employed and small businesses a complete product comprising high-data tariffs, top hardware, connectivity of a number of contracts and devices per contract, and comprehensive service. Since 2022 business customers have been able to hire rather than buy devices via O₂ Business Flex Device. This affords them additional financial leeway and allows them to always provide their employees with the latest devices.

In the year under review, the focus was placed on the expansion of digital services for business customers in the areas of IoT and cloud-based networks – with the aim of accelerating growth in this customer segment. The two technologies narrowband IoT (NB-IoT) and long-term evolution for machines (LTE-M) afford customers access to an array of IoT applications that require a greater range, better building penetration, lower energy consumption and operating costs which are as low as possible. Be it for metering applications (water, gas or electricity), sensor technology for waste management or building automation, these technologies are primarily used wherever radio modules are needed to transmit small data volumes regularly and over an extended period, often without an external power source. NB-IoT and LTE-M are based on 4G technology, and there are plans for them to become part of the 5G standard in the future.

O₂ Business developed a digital connectivity and security solution based on SD-WAN technology for SMEs and key accounts that enables them to easily interconnect their sites and make their existing infrastructures secure for the digital age. Here, network management is handled by specialised software that, for example, brings the physical network connections used

in a company network together within a single cloud-based network. By consolidating all the communication technologies within a single network, a company's IT is made more efficient and more stable while remaining flexible.

To strengthen the business customer line of business, the Telefónica Deutschland Group expanded the partnership entered into in 2021 with the Telefónica Tech Group, which specialises in digital products and services, to include the topics of IoT and big data. The technology provider is a member of the international Telefónica, S.A. Group and already serves as the preferred partner for digital services and related wholesale products in the areas of cybersecurity and the cloud.

Network quality and coverage

THE KEY FACTS:

-  The Telefónica Deutschland Group already achieved its 5G expansion target for 2022 in the summer, since when it has been providing 50% of the population with 5G. By the end of the year, this had increased to more than 80%.
-  The company expanded its fibre-optic network cooperations, enabling customers to now surf at speeds of up to 1 Gbit/s.
-  With an expansion cooperation in rural areas, the Telefónica Deutschland Group is plugging telecommunication dead spots and is improving mobile communications in what are known as "grey spots".

BASIC PRINCIPLE AND CHALLENGES

Enabling access to digital technologies

The Telefónica Deutschland Group manages 44.3 million connections in the area of mobile communications alone, connecting many people in Germany. Its aim is to guarantee access to digital technologies ideally everywhere and at any time. From this aspiration, the Telefónica Deutschland Group in turn derives a particular social responsibility: the company wants to reduce the digital gap where people have no access for technical, social, economic or other reasons in order that ideally everyone can enjoy the advantages of digitalisation. The Telefónica Deutschland Group aims to make the new 5G mobile communications standard available to the mass market and play a part in affording everyone access to high-tech digital communications with attractive 5G tariffs and large data packages.

The network provides the foundation for the Telefónica Deutschland Group's business. The Group aims to continuously make the network more efficient and more sustainable in order to be able to reliably and responsibly transport data volumes, which are rapidly increasing due to digitalisation. Fast expansion of the 5G network will help it offer the customers the "greenest" mobile communications network in Germany by 2025. 5G transmission is significantly more energy-efficient than the preceding standards (4G and 3G), meaning electricity consumption per transmitted byte can be reduced by up to 90%.¹

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

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

Network quality and coverage were confirmed as a material sustainability topic in the course of this year's validation of the materiality analysis and in the course of risk management. Network quality and coverage have a direct influence on customer satisfaction and are therefore one of the key success factors in the Telefónica Deutschland Group's core business area. As part of the critical infrastructure, the company makes a key contribution to the functioning of the economy and society: a network outage would result in revenue losses for business customers, cripple communication between public authorities and vastly restrict the customers' lives. The emergency call system and medication deliveries are likewise dependent on functioning telecommunications.

Particular challenges in the year under review

The war in Ukraine further exacerbated the supply chain delays triggered by the pandemic. Due to the energy crisis, the steel supply situation has become especially tense. The Telefónica Deutschland Group is nevertheless able to manage the shortages together with its partners. The war also resulted in challenges for subcontractors, some of which draw on the services of Ukrainian installers. However, they were able to compensate for the shortages.

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

To assist with the rebuilding of destroyed telecommunications infrastructure in Ukraine, the Telefónica Deutschland Group donated 3,500 network components worth millions of euros, making it one of the first European service providers to respond to a request from Ukraine’s telecommunications regulatory authority.

PROCESSES AND MANAGEMENT

Identifying and remedying network faults quickly

The Telefónica Deutschland Group’s private and business customers trust in the reliability of the company and its services. They expect network failures to be rectified quickly. By monitoring the network elements comprehensively and continually investing in the network structure, the company aims to ensure that the negative impacts on its customers are kept to a minimum.

Network quality and coverage are the responsibility of the Chief Technology & Information Officer (CTIO). A specialised network department is responsible for efficiently monitoring and resolving problems in the mobile communications and fixed line network. It ensures that the impacts of work in the network are kept minimal for the customers, that customer complaints are analysed and that failures are remedied as quickly as possible. The individual specialist departments then optimise the internal processes, taking the technical framework conditions into account. With regard to its network elements, the Telefónica Deutschland Group aims to continuously raise the level of automation. It uses a variety of tools to generate comprehensive data by which to analyse and evaluate the quality of the network. This allows service restrictions or increased capacity demand at a mobile network site to be recognised sooner and action to be taken accordingly.

Investing in network expansion

The Investments for Growth programme is crucial to the expansion of the mobile communications network. Here, the Telefónica Deutschland Group is focusing on three pillars of growth that will build on the network quality equality already achieved:

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

To continuously improve its customers’ user experience, as part of its three-year investment programme from 2020 to 2022, the Telefónica Deutschland Group invested in particular in network expansion. Further investments in the network are planned for the next few years.

STRATEGIC PRIORITIES

Tapping new potential with 5G

The Telefónica Deutschland Group succeeded in significantly expanding its 5G network coverage in 2022. Expansion of the new mobile communications technology is focused on what is known as “pure 5G”, which is transmitted via the most powerful 3.6 GHz frequency. More than 7,000 3.6-GHz antennas had been put into operation by the end of 2022. The company is now putting approx. 56 of these 3.6-GHz antennas online every week. It is also using the 700 MHz frequency, which has larger reach, to develop rural areas more quickly. Use is additionally being made of dynamic spectrum sharing (DSS) technology, which enables 5G and LTE frequencies to be used in tandem. The customers benefit from significantly higher data rates and reduced data usage time lags. Since June 2022 the Telefónica Deutschland Group has been providing 50% of the population with 5G. It therefore achieved its 5G expansion target six months earlier than planned and had even succeeded in increasing its provision to more than 80% by the end of 2022. It wants to provide the whole of Germany with 5G by the end of 2025.

Since mid-2022 the Telefónica Deutschland Group has been able to make additional network capacities available at major events such as the Oktoberfest or in the event of weather-related emergencies with 60 new mobile network stations. The mobile 5G masts can also be used to bridge the gap if a region requires coverage until the completion of a new site.

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5G coverage

	Unit	2022	2021	2020
Coverage of the total German population with 5G ¹	rounded in %	80	30	n.a.

¹The selected population-based evaluation does not only include the household-based coverage calculation with fixed location reference as reported to Germany’s Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur). It also includes commuter flows of the population, so that part of the population is counted at both their place of residence and at their place of work (maximum population). In this way, the Telefónica Deutschland Group takes into account that services are not only demanded stationary at the place of residence, but also while on the move. This value is the year-end value 2022, which indicates the availability of the mobile service outside buildings (outdoor).

Reducing black and grey spots

At the same time as expanding 5G, the Telefónica Deutschland Group is systematically improving its 4G/LTE network. A 4G network that continues to grow is important because approx. 94% of all mobile data flows via this network infrastructure and 4G will remain the backbone of the mobile communications network in the years to come. The Telefónica Deutschland Group’s expansion programme focuses not only on towns and cities, but also and above all on regions of Germany which have previously been undersupplied. In regions with insufficient capacity, it is replacing old sites with new platform sites with far greater capacity. It expanded about 7,000 sites in this way in 2022 to offer faster Internet, especially in rural regions.

The Telefónica Deutschland Group now supplies 99.9% of households with 4G/LTE. The company complies with the nationwide requirement stipulated by the German Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur) of 98% household coverage with a download speed of 100 Mbit/s in every federal state. The German Federal Network Agency will review the reported results in the course of the year. Further information on the regulatory requirements can be found in the [Combined Management Report 2022](#) in the chapter "Business Development of Telefónica Deutschland Holding AG". The Telefónica Deutschland Group is also focusing on expanding coverage along important transport infrastructures such as motorways, federal highways and railway lines.

Partnerships for a high-performance network

The Telefónica Deutschland Group offers its customers greater fixed line network coverage in Germany on the basis of future-proof broadband cooperation models and offers them a high-performance infrastructure mix of cable, fibre optics, 4G/5G and DSL. It is working with a number of telecommunications service providers and network operators including Vodafone, Tele Columbus and Deutsche Telekom. Thanks to an expanded cooperation with Vodafone, customers have been able to use surf speeds of up to 1 Gbit/s since April 2022. Previously, speed was limited to 300 Mbit/s. Through its cooperation with Deutsche Telekom, the Telefónica Deutschland Group has also been able to market fibre-optic products since late November 2022. It also offers O₂ my Home products via fibre optics provided for the O₂ brand by the company Unsere Grüne Glasfaser (UGG). UGG is a joint venture between the Telefónica, S.A. Group and Allianz SE. The Telefónica Deutschland Group holds a 10% stake in the company.

Data protection and information security

THE KEY FACTS:

-  Implementation of measures focusing on the rights and freedoms of those concerned related to the confidentiality of communications, the protection of personal data and the security of the information transported via its networks.
-  The Telefónica Deutschland Group further expanded its data protection guidance for employees and is bringing day-to-day data protection risks to people's attention via a new awareness campaign.
-  "Zero Impact" process model aimed at strengthening the telecommunication industry's resilience to cyberattacks successfully implemented.

BASIC PRINCIPLE AND CHALLENGES

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

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

The Telefónica Deutschland Group guarantees data protection and information security on the basis of the relevant laws and regulations as well as detailed internal requirements, some of which go above and beyond the legal requirements. In doing so, we pay particular attention to the protection of children and young people (more information on this in the "[Human rights and social standards along the supply chain](#)" chapter). It also makes a commitment in its [Business Principles](#) to data protection and observing information security and transparency. The Telefónica Deutschland Group treats personal and sensitive data confidentially and protects this data from any unauthorised access by third parties. In this context, the company has made a commitment to recognising the [CDR Code of the Corporate Digital Responsibility \(CDR\)](#) Initiative. In its [report on CDR measures](#), it focuses on data handling.

The Telefónica Deutschland Group wishes to ensure that the data of its customers, employees, partners and investors is used in compliance with the data protection regulations throughout its processes and products. In this way, the company also protects itself: legal compliance in this area is essential for its reputation

and for customer retention, both of which are crucial to business success. It also plays an important part in risk prevention as sanctions such as fines are then effectively avoided.

Current developments and challenges

The use of digital formats and the now preferred option of working from home have resulted in new data protection and information security challenges. In addition, major company-wide IT projects in which the infrastructure is rearranged and data is transferred to the cloud call for careful planning and consideration of the data protection and information security requirements.

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

In 2022 the Telefónica Deutschland Group again rigorously implemented the newest laws and regulations regarding data protection and information security. These included the tightening of the legal situation regarding the transfer of data to non-EU countries as a result of the Schrems II ruling, the amendment of Germany's Telecommunications Act (TKG) and the introduction of the Telecommunications Telemedia Data Protection Act (TTDSG) in late 2021, the Catalogue of Security Requirements 2.0 and other new guidance on legal issues relating to data protection and security in the digital world. The TTDSG encompasses the main data protection regulations for telecommunications and telemedia services for greater legal

clarity regarding the protection of privacy in the digital world. The Telefónica Deutschland Group engaged in intensive dialogue with the competent authorities in the year under review to clarify practical questions regarding the application of this law. The company also addressed the standard contractual clauses for international data transfers as adopted by the European Commission in 2021. The new European Data Protection Board guidelines were published as recommendations in early 2022, containing rule examples in the event of data protection incidents and therefore serving as an important aid for the GDPR-compliant interpretation and evaluation of such incidents within the company.

PROCESSES AND MANAGEMENT

Clear rules and processes established

Clear rules and processes help to systematically meet the data protection requirements, guarantee information security and ensure that the relevant laws and regulations are complied with. This involves the Telefónica Deutschland Group regularly revising existing and adopting new guidelines if additional regulatory needs are identified and then implementing these in the company. The decisive frameworks include the Group's data protection standard, which forms the foundation of the data protection management system (DPMS) together with the guidelines concerning data protection. These clearly present the principles the company applies when handling data and in its communication with its customers and the public in an internal guidance document. The Group's data protection standard was revised in 2022 to accommodate the advanced implementation of the DPMS in operations and integrate the fully developed standard data protection process with comprehensive responsibilities.

The internal guidelines concerning security (Global Security Policy) and rules for minimum security requirements (Corporate Rules on Minimum Security Controls) apply throughout the organisation. These are supplemented by a wealth of additional guidelines, standards and procedural instructions on various aspects of data protection and security. These include the guidelines for reporting data protection and information security incidents, the guidelines on data protection information obligations, the guidelines on data protection agreements, the checklist for the rights of data subjects in accordance with the General Data Protection Regulation (GDPR) regarding the processing of users'/customers' data, the Privacy Consulting Process (PCP), the guidelines on the use of social apps, and various procedural instructions. The approach taken to identifying and minimising information security risks is documented in the security concept in accordance with Section 166 of the Telecommunications Act (TKG). The company's privacy policy contains clear guidelines on the protection of personal data that often go above and beyond the statutory specifications. All the employees receive annual mandatory training on data protection. All employees are additionally obliged to observe data and telecommunications secrecy.

The Data Protection Officer and Chief Security Officer are responsible for the management and strategic focus of data protection and information security. They report directly to the Telefónica Deutschland Group's Management Board member responsible for Legal and Corporate Affairs. The full Management Board is thoroughly briefed on information security and data protection at least twice every quarter. In addition to the company's Security Committee, which meets regularly, and the Deep Dive Data Protection, reports on these areas are also regularly submitted to the Supervisory Board's Audit Committee; this was the case four times in the financial year 2022. The Chair of the Audit Committee reports to the Supervisory Board on the activities of the Audit Committee, while the Management Board member responsible for Legal and Corporate Affairs reports to the Supervisory Board on special topics.

Objectives: preventing violations and increasing security

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

- Continuously making the company more secure
- Ruling out the initiation of proceedings due to the violation of data protection regulations by achieving the best possible compliance with the data protection regulations
- Presenting data usage transparently
- Being able to react swiftly to major disruptions and dangerous situations that may occur, such as network failures, data misuse and bomb threats
- Localising areas of action pertaining to information security

The Telefónica Deutschland Group systematically establishes efficient structures and processes to prevent violations in the areas of data protection and information security. With the company-wide data protection management system (DPMS) and information security management system (ISMS), the company manages the processes that secure data protection standards, targets, responsibilities and training as well as regular checking of measures that have been implemented. The ISMS is based on the ISO 27001 standard, and the company will seek to acquire certification in 2023. Information security managers and data protection coordinators have additionally been established in the departments as fixed points of contact in order to improve management of the DPMS. In addition to the checks performed by Internal Audit, the departments' systems and processes are regularly subjected to internal security and data protection assessments.

The Telefónica Deutschland Group's Cyber Defence Centre (CDC) is staffed around the clock in order to reduce the company's cyber risks. The CDC is a central security centre that protects the company from cyberattacks and additionally takes up indications of risks from other relevant sources (e.g. the Internet) in order to initiate preventive action. Here, key events in the company's own networks and online are permanently

analysed and evaluated. This helps to identify attacks and minimise their impacts with quick reactions. The Telefónica Deutschland Group also responds to the consequences of the ever-increasing threat of cybercrime with mitigating measures as part of its risk management for information security and data protection.

Handling data protection incidents

The Telefónica Deutschland Group handles all the data of customers, employees, shareholders, suppliers and other companies absolutely confidentially. If it uses service providers' data, it meticulously determines whether adequate data protection agreements and regulations have been concluded. If in doubt, the Data Protection Officer is involved.

The company works with business partners who accept its data protection rules in accordance with the guidelines on data protection agreements and the corresponding agreements. For example, suppliers must contractually commit to complying with the Telefónica Deutschland Group's [Supply Chain Sustainability Policy](#) as well as the requirements stipulated therein regarding the observance of national and international data protection standards. The company also conducts data protection and information security audits, among other things at its service providers' sites. Likewise, the Telefónica Deutschland Group has clear processes and regulations in place for involving subcontractors and sets corresponding requirements for contracts. The agreements with distribution partners were revised in 2022, with new obligations being introduced regarding self-regulation and the regulation of sub-distribution partners. Additionally, company processes are reviewed again and again by the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur) and the Federal Commissioner for Data Protection and Freedom of Information (BfDI) as the competent authorities.

The Telefónica Deutschland Group also has set rules in place for reporting data protection and security incidents; these are set out in the guidelines on security incidents and in the rules of procedure for data protection incidents and are communicated within the company. The [data protection hotline](#) serves customers and employees as a first, conveniently reached point of contact for the reporting of incidents. In the event of complaints, suppliers and their employees can also contact the company via the Telefónica Deutschland Group's supplier platform, via an [ombudsperson](#) or via the [human rights channel](#).

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

compromise people in their rights or legitimate interests, these individuals must likewise be notified of the incident.

In the past business year, three sets of proceedings were initiated due to possible data protection violations and possible infringement of the legal provisions in this area. However, two proceedings have already been resolved by way of settlement. The third case will be pursued in the coming business year. No penalties in the form of legally binding fines have been imposed as a result of data protection violations or infringement of the legal provisions in this area.

26 reportable security breaches or incidents with regard to confidentiality, integrity and availability in connection with network and information security were identified in 2022. The incidents relate exclusively to the protection goal of availability and are attributable among other things to carrier or network element disruptions. No penalties in the form of fines were imposed on the basis of security violations or other incidents relating to network security.

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Data protection and information security

	2022	2021	2020
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act [TKG]) ¹	1	0	3
Penalties in the form of fines as a result of data protection violations in the reporting year	0	0	0
Reportable security breaches or incidents relating to information and network security	26	16	25
Penalties in the form of fines paid in relation to security breaches or other network security incidents	0	0	0

¹ Proceedings initiated during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. Three sets of proceedings from the 2020 financial year were still ongoing in the current reporting year. It is currently not foreseeable whether these will be concluded in the coming reporting year. Concluded procedures generally lead to a penalty, a fine or abandonment of the proceedings as a result of the authority's suspicion not being borne out. Fines are reported in the indicator "penalties in the form of fines as a result of data protection violations in the reporting year".

STRATEGIC PRIORITIES

Raising awareness and educating

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

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

The employees of the Telefónica Deutschland Group regularly undergo mandatory training in the area of data protection and information security, including with the support of external data protection and security experts. Data protection coordinators who serve as an interface between a department's staff and the data protection team are regularly given especially extensive training.

The Telefónica Deutschland Group was able to offer the employees more in-person workshops again in the year under review, including a workshop for the data protection team in Nuremberg given by the Data Protection Officer and a workshop for all the departments' data protection coordinators. In this way, the company not only raised the employees' awareness regarding the processing of personal data in day-to-day business, but also advanced the expansion and sharing of data protection expertise in the departments.

The Telefónica Deutschland Group launched a new company-wide data protection awareness campaign in 2022, with posters put up in heavily frequented areas in the regional offices to bring data protection risks in day-to-day work to peoples' attention. The company held a live hacking session in November in which the participants were familiarised with a number of hacking techniques and learned how people can protect themselves against these.

The data protection team published further recommendations for employees on the Data Protection Officer's internal website in the year under review to make handling data protection issues easier. These include incident management overviews and a tool which makes it easier to find the right contractual wording for the processing of personal data.

Data protection advice as a core responsibility

In accordance with the GDPR, the effective protection of personal data must already be adequately implemented when a process or application is conceived ("privacy by design") and configured ("privacy by default"). The Telefónica Deutschland Group assists its employees in observing and documenting all the measures required for data protection with its own tools and checklists. The GDPR additionally obliges all division heads to structure and manage their data protection measures in a risk-oriented way.

A new platform that serves as a centralised data protection management system simplifies the process of advising employees.

For example, it enables them to work according to fixed workflows that make data protection advice more transparent and more efficient. The platform is being continuously expanded and is set to gradually replace other tools.

The Telefónica Deutschland Group further improved the intranet chatbot introduced in the previous year in 2022 in order that more and more questions can be answered straightforwardly. In addition, the database of questions and answers was fed into the bot made available company-wide via the Microsoft Teams collaboration platform, to provide the employees with the answers directly in their work context. For recurring requests, such as for the right contract templates for various constellations, that the bot is unable to answer due to a more complex decision-making logic, the company published a "contract finder" on the intranet which walks the staff through predefined questions to help them with day-to-day tasks.

Data protection and security standards further increased

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

To progressively optimise the standards for the protection of customer and employee data, the company continues to work on introducing new and revising existing security processes. Additional security and verification mechanisms were implemented in 2022 as part of the Close the Gap project, such as expansion of the text message TAN authentication process. Work on optimising authentication in the online ordering process is currently ongoing. There are also plans for the further pseudonymisation of personal data.

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

In close cooperation with Deutsche Telekom and Vodafone, the Telefónica Deutschland Group realised a shared process model called Zero Impact to strengthen the telecommunications industry's resilience where cyberattacks are concerned. The focus of this joint initiative was on the network providers' operational security and on establishing a comparable and improved company security level. This involved core security competencies being identified and potential attack scenarios being developed. The project initiated within the Telefónica Deutschland Group was successfully concluded in 2022. The Telefónica Deutschland Group identified an array of measures with which to further increase security throughout the Group.

Anti-corruption and conflicts of interest

THE KEY FACTS:

- ✓ The Telefónica Deutschland Group comprehensively revised its Business Principles in 2022 and introduced new mandatory training on these for its employees.
- ✓ The company opposes all forms of corruption and reinforces this with a clear zero-tolerance commitment.
- ✓ The whistle-blower reporting channel serves all internal and external stakeholders as an anonymous and secure channel via which to report violations of laws and regulations.

BASIC PRINCIPLE AND CHALLENGES

Legal compliance as the bedrock of our actions

Social and economic life are founded on integrity and legal conformity. Violations of rules and laws have negative economic, environmental and social impacts and can be detrimental to the upholding of human rights and equal opportunity. This can also lead to a loss of faith in the market economy. For the Telefónica Deutschland Group, compliance with the law is not only an indispensable basic prerequisite of its conduct. It also allows risks to be reduced and its business foundations to be preserved – something which would be seriously jeopardised if there is a failure to observe regulations and rules. These factors contribute to anti-corruption and conflicts of interest being identified as material non-financial topics for the company.

The Telefónica Deutschland Group is a company which customers, employees, suppliers, shareholders and society can trust. For relations founded on trust to be built up with all the stakeholders, all Telefónica employees must act with integrity, transparently and reliably at all times. Only then can they contribute to the company's good reputation.

Observing statutory requirements, international standards and internal guidelines is a matter of course for the Telefónica Deutschland Group. Its conduct is guided by its [Business Principles](#) 🚩. These were comprehensively revised in 2022 to ensure that the code of conduct continues to absolutely do justice to the latest market and societal requirements. The Business Principles are based among other things on the UN Universal Declaration of Human Rights, the core labour standards of the International Labour Organization (ILO) and the principles of the UN Global Compact, which the Telefónica Deutschland Group declares its dedicated support for. The Business Principles are directed at the employees, suppliers and business partners, shareholders and the company as a whole. As a binding code of conduct, they set ethical, environmental and social standards for participation in the business world.

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

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

PROCESSES AND MANAGEMENT

Zero tolerance of corruption

Compliance management is of key importance to the Telefónica Deutschland Group. There is a particular focus on the subject of anti-corruption – this is because incidents of corruption can lead not only to severe financial damages, but also considerable damage to reputation. The Telefónica Deutschland Group condemns all forms of corruption and reinforces this with a clear zero-tolerance commitment in its Business Principles. Senior management staff are required to annually reconfirm recognition of this commitment and compliance with the [anti-corruption guidelines](#) 🚩. If governance bodies (such as members of the Management Board) see a potential conflict of interest, they disclose this to the Supervisory Board.

All employees are given regular instruction in anti-corruption and conflicts of interest as part of mandatory training on the Business Principles. The employees also have the opportunity to improve their knowledge regarding anti-corruption by means of voluntary intensive training.

Digitalisation is also causing companies' business processes to change. Compliance management systems (CMS) therefore have to be permanently reviewed and, if necessary, adapted in order to be able to proactively identify risks and effectively manage them. The Telefónica Deutschland Group seeks to preclude unfair practices such as corruption, corporate crime and fraud as best it can with preventive measures and, should it not manage this in isolated cases, to systematically uncover these practices and modify the measures if necessary.

Certification of the compliance management system

The Telefónica Deutschland Group's success is founded on its customers' trust. A key objective is therefore to maintain and continuously strengthen this trust. The Telefónica Deutschland Group absolutely wants to avoid financial disadvantages or damage to its reputation resulting from compliance violations. It has therefore had an integrated CMS since 2004 that guarantees its guidelines are kept to. The main emphases of the CMS include combating corruption and preventing unfair competition and conflicts of interest. Overall responsibility for this lies with the General Counsel, who reports to the Chief Officer for Legal and Corporate Affairs. The Management Board and Supervisory Board of the Telefónica Deutschland Group are regularly notified about compliance activities and the ongoing development of the CMS. BDO AG Wirtschaftsprüfungsgesellschaft audited and certified the anti-corruption subsection of the CMS in accordance with the IDW PS 980 standard in 2021.

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

To guarantee the legally watertight and responsible handling of tip-offs, complaints and anonymous reports from stakeholders and third parties who are potentially affected, the Telefónica Deutschland Group defined a whistle-blower policy that formalised the process which had been practised for many years. The internal policy was revised in 2022 in order to integrate the requirements of Germany's new Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The [whistle-blower reporting channel](#) (confidential helpline) is there for all employees, external staff, customers, suppliers, shareholders, partners and other stakeholders to use as an anonymous and secure channel via which to report violations of laws or regulations. The Telefónica Deutschland Group's whistle-blower

policy explicitly stipulates that whistle-blowers may not suffer any negative consequences. The protection of whistle-blowers from being disadvantaged is guaranteed through the involvement of an external lawyer who serves as an ombudsperson. Information regarding human rights and environment-related risks, the violation of human rights or environment-related duties, corruption and other criminal acts such as fraud and embezzlement as well as violations of competition law can be reported to them in confidence. The [human rights inbox](#) serves as another channel for whistle-blowers. Even though the reports made here are not anonymous, the whistle-blowers are nevertheless afforded extensive protection by the contractually agreed impartiality, autonomy and independence as well as confidentiality of those charged with handling the complaints procedure. This enables the Telefónica Deutschland Group to involve whistle-blowers in the procedure, thereby boosting the transparency of and people's faith in the procedure. All complaints are documented in order to review the grievance mechanism and derive improvements.

STRATEGIC PRIORITIES

Involving stakeholders in prevention

Keeping the employees closely involved is essential to implementing the compliance measures. The Telefónica Deutschland Group achieves this through targeted communication as well as surveys and training. Business partners and suppliers are also subject to binding specifications.

To permanently sensitise its employees to important compliance issues, the Telefónica Deutschland Group conducts, among other things, training online and at set intervals of between one and three years. There is mandatory participation in training on, for example, the Business Principles every three years, data protection annually, information security every two years and Germany's General Act on Equal Treatment (AGG) every three years. The AGG promotes diversity and combats workplace discrimination. Executives at the top management level are also explicitly required to commit to complying with the Business Principles and anti-corruption guidelines and are given training on this.

Participation in training is managed by the human resources system Success Factors. All employees receive automatic reminder emails as soon as they are due for mandatory training. Upon completion of the training, an electronic certificate attesting to the employee's successful participation is added to the system. The Management Board likewise receives a quarterly report on the status of the conducting of mandatory compliance training, broken down by Management Board areas of responsibility. The Telefónica Deutschland Group continually reviews its training concept and adapts it to current developments and the actual needs. After the Business Principles were revised, the corresponding training for all employees was likewise adapted in 2022. There is now an even greater focus on environmental, social and governance (ESG) topics so that the Telefónica

Deutschland Group can drive the company's sustainable transformation forward together with its employees. Human rights and sustainable supply chain management, climate responsibility, the circular economy and the responsible use of digital technologies are just a few examples of topics included in the revised training. The employees were made aware of the changes via various internal communication channels.

Since 2021 the Telefónica Deutschland Group has been using a new e-learning programme it developed itself based on the risk assessment performed in 2020 on the topic of anti-corruption and conflicts of interest. This allows the relevant employee groups to be even better sensitised to the topic. In addition to the legal basics, the training covers the types of corruption and conflicts of interest that the employees could encounter in their day-to-day work as well as how to identify and adequately respond to attempted bribery. Additionally, the learning content goes into greater detail with the help of practical examples.

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

Careful investigation of allegations

Telefónica Deutschland Group received no reports of suspected cases of corrupt conduct in the reporting year 2022. As a result, no labour law sanctions were imposed on any employees. Court cases relating to AGG violations are recorded by the Human Resources department; no incidents were reported to the department in the reporting year 2022. Likewise, no violations of the freedom of association or of collective bargaining came to the Group's attention in the reporting year. The company did not make any donations to political parties in 2022.

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Anti-corruption and conflicts of interest

	Unit	2022	2021	2020
Total number of cases of corruption ¹	Number	0	0	0

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

Human rights and social standards along the supply chain

THE KEY FACTS:

- ✓ The Telefónica Deutschland Group is tightening the social criteria for its minimum requirements of responsible and sustainable conduct by suppliers.
- ✓ Adaptation of policies and management processes to the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG).
- ✓ New whistle-blower procedure for human rights and environment-related risks or violations.

BASIC PRINCIPLE AND CHALLENGES

Upholding human rights and minimising risks

Upholding human rights is a key issue for business and society and is increasingly the focus of public debate. It is not only in global supply chains and production facilities of developing countries and emerging nations that there is a risk of violations and actual human rights infringements such as child or forced labour. Developed nations too are by no means immune to human rights risks, be it regarding discrimination or the violation of privacy or data protection. Guaranteeing decent work is also relevant in this context, with this including fair labour conditions on the basis of labour and social standards regarding, among other things, occupational safety and employee health, observing work hours and fair remuneration throughout the supply chain.

The Telefónica Deutschland Group advocates compliance with human rights and social standards within the company and all along its supply chain. In addition to its Business Principles and its Digital Manifesto, the Telefónica Deutschland Group also makes a commitment to the upholding of human rights in a [Declaration of Principles](#) 🚩. In its Declaration, the Group references, among other things, the guidelines of the Organisation for Economic Co-operation and Development (OECD), the Conventions of the International Labour Organization (ILO) regarding labour and social standards, the United Nations Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, and Global Compact, the United Nations Convention on the Rights of the Child and the United Nations Standards of Conduct for Business: Tackling Discrimination Against LGBTI People. The Telefónica Deutschland Group respects the right of employees to belong to a trade union organisation and stands up for equal opportunity and treating all people as equals irrespective of skin colour, nationality, ethnic origin, religion, gender or sexual orientation. The SDGs likewise explicitly target improvements in the human rights situation, and in particular SDG 8 Decent Work and Economic Growth is at the heart of our actions.

The Telefónica Deutschland Group rejects all forms of child or forced labour. It feels it has a particular obligation to children, young people and their protection. This applies to all of its business activities. It is guided here by UNICEF's Children's Rights and Business Principles and the children's rights conventions of the United Nations and the ILO.

The Telefónica Deutschland Group is especially keen to minimise the human rights risks in the supply chain that go hand in hand with the use of what are known as conflict minerals such as tin, tantalum, tungsten and gold, which are mined under inhumane conditions and are sold to fund armed conflicts in crisis regions. Here, the company relies on the global activities of Telefónica, S.A., which also set the framework for its own actions. All Telefónica, S.A. Group suppliers are required to accept the minerals policy as part of the [Supply Chain Sustainability Policy \(SCSP\)](#) 🚩, thereby making a commitment to the responsible procurement of minerals.

Like other companies in the industry, the Telefónica Deutschland Group receives requests for information from government authorities, law enforcement authorities or courts. For example, information is requested about the communications of customers or requests are made for access to certain websites to be blocked. In such cases, the Telefónica Deutschland Group strictly adheres to internal procedures that guarantee compliance with the law as applicable while simultaneously protecting the data subjects' fundamental rights. The Group-wide commitment to the protection of privacy and the right to freedom of expression is laid out in the consolidated [Transparency Report](#) 🚩 of the parent company Telefónica, S.A., in which the Telefónica Deutschland Group is also represented. In addition, for the third year in a row, Telefónica, S.A. Group ranked first among the twelve global telecommunications companies in the categories of governance, data protection and freedom of expression assessed by [Ranking Digital Rights](#) 🚩.

Human rights and social standards in the supply chain as a material topic

The Telefónica Deutschland Group is aware of the fact that there is the potential for human rights violations all along the value chain based on its business activities. The Telefónica Deutschland Group identified the topic of human rights and social standards in the supply chain as material in 2022. Data protection and data security, freedom of expression in the digital world, decent labour conditions in a global economy and a clean and healthy environment are just a few examples of rights which the Telefónica Deutschland Group plays a material part in their being upheld, both internally (employees) and externally (suppliers and customers). However, connectivity is also an important instrument for facilitating and promoting human rights, for example through access to information and the exchange of ideas. The Telefónica Deutschland Group sees this potential as an opportunity to develop products and services that promote economic and social development, e.g. through increased connectivity in rural and isolated areas. In this way, the company wishes to democratise access to a sustainable digital future to make day-to-day life better for everyone.

The Telefónica Deutschland Group firmly believes that assessing and managing the impacts of its activities on human rights is fundamentally important for the sustainability of its business. Identifying and monitoring sustainability risks in the supply chain and at its own sites is especially important to the Telefónica Deutschland Group in order for it to nip the emergence of legal liability and penalty mechanisms in the bud. Efficient compliance in the area of human rights additionally serves its reputation and its ability to compete.

Comprehensive preparations for the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG)

From 2023 Telefónica Germany GmbH & Co. OHG and its subsidiaries will be obliged to comply with Germany's Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The LkSG first and foremost establishes human rights due diligence obligations for companies. In other words, it governs companies' responsibility for the observance of human rights within the company and in their supply chains.

Comprehensive preparations and organisational adjustments in view of the LkSG were on the agenda in the reporting year. Existing processes were broadened, such as the risk management processes for the company's own business activities and the direct supply chain, modification of the complaints procedure and revision of the [Supply Chain Sustainability Policy](#) , the code of conduct for Telefónica Deutschland Group suppliers.

In 2022 the European Commission presented a proposal for a Corporate Sustainability Due Diligence (CSDD) Directive that would oblige companies to protect human rights and the environment. The purpose of the CSDD is to promote sustainable and responsible conduct within companies and enshrine human rights and environmental considerations within

business activities and corporate governance. The proposed supply chain regulation directive is more comprehensive than Germany's LkSG. The Telefónica Deutschland Group will focus intensively in 2023 on preparing for the new legislation.

PROCESSES AND MANAGEMENT

Management system for due diligence fulfilment

The Management Board of the Telefónica Deutschland Group bears responsibility for reviewing the performance and implementation of its human rights due diligence. The Director of Corporate Responsibility & Sustainability (CR & S) who was also appointed Human Rights Officer in the year under review, engages in ongoing dialogue with the Management Board. The CR & S department is responsible for managing the Human Rights and Environment Committee, conducting and overseeing human rights risk analyses and managing the complaints and whistle-blower procedure.

The Human Rights Committee, which the Telefónica Deutschland Group expanded to a Human Rights and Environment Committee in 2022, advances the topic throughout the divisions. By expanding the committee's areas of expertise and renaming it, the company is accommodating the requirements of the LkSG on the one hand and taking into account the fact that the UN General Assembly has recognised the right to a clean environment as a discrete human right on the other. The committee comprises representatives of the CR & S, Compliance, Legal and Capital Market Law, Data Protection and Human Resources departments as well as a representative each of Telefónica, S.A. and the purchasing company Telefónica Global Services (TGS). The members, who are available to all the employees as central points of contact and advisors, including to the employees of affiliated companies, assume additional responsibilities based on their areas of activity. This includes the pooling of topic-specific expertise in the company and ensuring compliance with the LkSG.

The committee affords the Telefónica Deutschland Group swift agency when it comes to responding to or handling incidents regarding human rights or the environment that are reported via the human rights inbox or the ombudsperson or concerning any modifications needed in management approaches and policies. The CR & S department also guarantees the monitoring of human rights due diligence within the company such as, among other things, the functionality of the whistle-blower procedure. The Human Rights and Environment Committee regularly reports among others to the employee representatives and the Economic Committee.

The Telefónica Deutschland Group's management system for the protection of human rights focuses on the process for due diligence fulfilment (human rights due diligence system) and is based on the UN Guiding Principles on Business and Human Rights. These Guiding Principles concretely describe the due diligence approach as it relates to potential and actual impacts of business activities on human rights globally. The concept for

a human rights due diligence system derived from this involves companies establishing procedures for determining their potential and actual negative impacts on people and taking action to prevent and avoid such impacts and, insofar as damage has already been caused, to end or remedy them. The process comprises five components:

1. Policy and Declaration of Principles
2. Impact and risk analyses
3. Preventive measures and incorporation into processes
4. Monitoring and reporting
5. Complaints mechanisms and corrective actions

Greater supplier obligations with respect to social criteria

The Telefónica Deutschland Group has been extending responsibility for upholding human rights to its suppliers and sub-suppliers as well for many years now. The minimum requirements made of suppliers and sub-suppliers regarding the observance of human rights are set out in the [Supply Chain Sustainability Policy \(SCSP\)](#) . This was extensively revised and expanded in the year under review to include the human rights and environment-related aspects of the LkSG. Suppliers must implement internal processes that adequately take into account the due diligence obligations governed by the LkSG. Other SCSP changes include the introduction of the ombudsperson and the human rights inbox as channels via which to submit human rights or environment-related complaints and obliging suppliers to provide barrier-free access to the Telefónica Deutschland Group's reporting channels.

The suppliers are required to digitally agree to the global SCSP in the course of the supplier registration process in order to be able to proceed with the commissioning process. To participate in an invitation to tender in Germany, suppliers must accept the new local SCSP. The following social criteria were modified and, in some cases, tightened during the revision of this policy:

- Requirements with respect to employment relationships, working hours and remuneration (in particular a living wage)
- Zero tolerance of violence and harassment
- Exclusion of forced labour and human trafficking including prohibition of the deployment of security forces
- Rejection of child and adolescent labour
- Granting of freedom of association and the right to collective bargaining, including the right to strike
- Promotion of diversity, inclusion and non-discrimination
- Compliance with health and safety standards
- Diligent care regarding the handling of conflict minerals
- Exclusion of forced eviction and land expropriation
- Protection of basis for life

In the fiscal year 2022, the Telefónica Deutschland Group has started to introduce new evaluation methods for supplier assessments and to define the first key figures on human rights and social standards along the supply chain. The Telefónica

Deutschland Group developed training for suppliers on the topic of sustainability and human rights in 2022, which it will offer its suppliers from the beginning of 2023.

STRATEGIC PRIORITIES

Implementation of the human rights due diligence process

1. Policy: Human Rights Policy and Declaration of Principles

The Telefónica Deutschland Group is committed to its [Declaration of Principles on Respecting Human Rights](#)  as signed by its Management Board and acknowledges its responsibility for its value chain. The Telefónica Deutschland Group's [Human Rights Policy](#)  specifies the company's obligations to uphold human rights and establishes the related general principles and guidelines. The Policy lays out in detail action guidelines for the key stakeholder groups, such as the customers, employees, society and business partners, and explains the work steps involved in the human rights due diligence process.

The Telefónica Deutschland Group worked on a manual for its human rights strategy in 2022, which will also be available in the company's rules portal in early 2023. The internal manual defines the human rights due diligence processes and structures that are needed to comply with the LkSG. It is designed to offer employees guidance and enable them to take action in relation to the concrete human rights aspects relevant to their respective departments and which need to be observed.

84.3%¹ of the employees were also given training in human rights issues over the past three years as part of mandatory training on the Business Principles. The training was thoroughly revised in 2022 to place a greater focus on environmental, social and governance (ESG) aspects (see "[Anti-corruption and conflicts of interest](#)" chapter).

With other training developed in 2022, the Telefónica Deutschland Group wishes to ensure that its employees are familiar with, understand and correctly apply the LkSG, the human rights strategy and the related guidelines. This module will be available to everyone in the company-wide training portal Success Factors from early 2023 and will be actively allocated to especially relevant departments such as Purchasing, Legal, Compliance and Risk Management via the training portal. The Declaration of Principles and the Human Rights Policy will be adapted on the basis of the results of the latest risk analyses in early 2023, bringing them into line with the LkSG and featuring new and expanded due diligence processes.

2. Impact and risk analyses: identifying human rights risks and areas of action

Regular risk analyses and impact assessments help the Telefónica Deutschland Group understand what impact its activities, business relations, products and services have on

¹ Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,181; previous year: 7,030). The calculation includes the completed training units of the last three years. For 2022 this means 6,055 completed training units between 1 January 2020 and 31 December 2022.

human rights and how it can adapt its internal strategies and processes to address the risks and opportunities identified. The Telefónica Deutschland Group performs a biannually analysis of human rights risks as part of its company-wide risk management process. Human rights risks are considered from two perspectives. There is the inside-out perspective, which relates to the human rights risks caused by the company's business activities. Then there is the outside-in perspective, which examines risks that can affect the business activities from outside.

The German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which enters into force in 2023, requires companies to establish an appropriate and effective risk management system for compliance with human rights due diligence, with the system being enshrined in all the essential business processes by means of appropriate measures. In 2022, the Telefónica Deutschland Group performed a risk analysis for its own business area and for the downstream value chain in accordance with the LkSG and the minimum safeguards of the EU Taxonomy Regulation. The majority of the risks were rated not relevant, with a very low or low risk. This tallied with the Telefónica Deutschland Group's expectations as a large number of measures have already been implemented to tackle risks in accordance with the LkSG and the minimum safeguards of the EU Taxonomy Regulation. The fact that the companies are based in Germany likewise means there is a low country risk in the Group's own business area.

Risk analysis identified a priority risk as per the LkSG. In the area of network provision, there is the medium risk of workplace accidents or work-related health risks. The Telefónica Deutschland Group is unable to completely exclude the risk of workplace accidents or work-related health risks in spite of the statutory requirements, the Health & Safety Policy and numerous measures implemented in this area such as training, regular audits and risk assessments. While this risk was assigned a low probability of occurrence, the impacts on the rights holders in the event of an accident due to their network provision activities could, however, be very serious in the worst-case scenario. The Telefónica Deutschland Group therefore arrived at a medium risk assessment overall. New measures will nevertheless be implemented. These include the integration of human rights aspects into the Health & Safety Policy such as informing of the reporting channels for complaints and whistle-blowing regarding human rights and environmental aspects for employees at the network sites. Additionally, the possibility of having ISO 45001 certification (occupational health and safety management) carried out will be examined in 2023.

There is also a medium risk for the downstream value chain in that products and services developed and marketed by the Telefónica Deutschland Group might discriminate against people and cause unequal treatment in its direct customer contact. This risk relates to the downstream value chain and is therefore of relevance to the minimum safeguards of the EU Taxonomy Regulation, but not to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) as the risk of discrimination in the

Group's own business area was assessed as being low. This risk was likewise assigned a low probability of occurrence due to the large number of measures already implemented, including internal guidelines for ethically responsible communication, dialogue guidelines for customer service employees, training and an examination of real conversations with customers. However, discrimination can take a variety of forms and, in this case, also potentially affect a large number of people. This risk was therefore likewise assessed to be a medium risk. To address this risk, the Telefónica Deutschland Group adopted [guidelines for ethically responsible communication](#) , among other things. Awareness of these guidelines within the company is to be further increased in 2023.

The Telefónica Deutschland Group will specifically reference the two priority risks in its training and in the Declaration of Principles. There is already close communication with various departments regarding human rights topics, and this was intensified in the course of the annual internal risk assessments and due to the joint preparations for the LkSG. The relevant departments are therefore especially sensitised.

The LkSG stipulates that all suppliers must be reviewed regarding their performance in relation to human rights and certain environmental standards; this led the Telefónica Deutschland Group to apply a new strategy for the identification of risks. In late 2022, potentially high-risk suppliers were required to perform self-assessments using an external risk management platform. This tool provides the Telefónica Deutschland Group with a sustainability matrix that gives an initial insight into each direct supplier's critical areas. The area of social criteria includes the topics of human rights and labour law, occupational health and safety, and diversity, fairness and inclusion. In addition to evaluation of the results, information is supplemented through supplier monitoring, including with a view to negative reports, in particular where these relate to compliance with statutory requirements and sustainability standards within the past twelve months. In 2023, assessment is planned to be rolled out successively and comprehensively to all suppliers of the Telefónica Deutschland Group.

The Telefónica, S.A. Group additionally performs regular impact assessments at the global level, most recently in 2022. External experts from, for example, the organisations Business for Social Responsibility and Business and Human Rights are brought in here. With the aid of these assessments, the Group wants to understand the impact that its business activities, business relations and products and services have on human rights and determine the topics that are priorities for it and regarding which it will execute specific measures. These include, for instance, the network and artificial intelligence as well as human rights issues such as safe working conditions, children's rights, privacy and freedom of expression.

3. Preventive measures and incorporation into processes

The Telefónica Deutschland Group sees its commitment to upholding human rights and the performance of appropriate

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

Its responsibility to respect human rights and its addressing of the risks related to its business activities and relations are a key part of the Telefónica Deutschland Group's risk management system. The individual divisions incorporate fundamental potential risks regarding human rights or environmental aspects into their existing management processes and implement risk minimisation measures accordingly. The Telefónica Deutschland Group also monitors risks assessed as being low in order to be able to implement preventive measures swiftly in the event that there is a change for the worse.

At the beginning of the year under review, the Telefónica Deutschland Group implemented guidelines for [ethically responsible communication](#) . As part of this, internal guidelines for ethically responsible communication were developed for all advertising, advertising materials and events; these are also binding for commissioned agencies.

To strengthen human rights in the supply chain, the Telefónica Deutschland Group conducted on-site audits at selected suppliers' premises in 2022, for example in the areas of employee health and safety and also data protection. The risk analysis conducted in 2020 for the area of services and works revealed that there are potential risk factors in the area of social criteria, particularly in service processes in the logistics and customer service and call centre sectors. The Telefónica Deutschland Group therefore audited two important suppliers from these two industries, for example, in 2022 together with an international certification company. Both suppliers showed a high level of compliance of over 90 %. Only a few improvement measures were identified in the areas of health and safety, working conditions and the environment and included in an action plan. When performing other audits, such as those in relation to labour conditions and child and forced labour, the Telefónica Deutschland Group makes use of the Joint Audit Cooperation (JAC) initiative.

The Telefónica Deutschland Group will continue to pursue the goals it set itself in its [Responsible Business Plan 2025](#)  in the area of supply chain management. Firstly, close to 100% of high-risk suppliers must be able to present an external sustainability assessment (which includes human rights) in 2023. Secondly, the company wants to broaden the sphere of action of its Supply Chain Sustainability Policy (SCSP): the global SCSP has already been confirmed by 100% of the new suppliers processed via the Telefónica Deutschland Group's purchasing system in 2022.¹ And the remaining suppliers who are processed outside of this purchasing model (around 22% of the purchase volume), for example in the area of low-value purchasing processes and cross-company purchases such as licences, will be required to accept the SCSP by 2023.

4. Monitoring and reporting

The Telefónica Deutschland Group continuously monitors the analysed impacts of its business activities on the topic of human rights. Human rights risks are recorded in its risk management system to this end, with the Human Rights Officer being responsible for monitoring them. The impact assessments are also updated by Telefónica, S.A. every four years and by the Telefónica Deutschland Group biannually regarding its own business operations.

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

In an annual report to the Management Board of the Telefónica Deutschland Group, the Human Rights and Environment Committee provides information on the latest human rights developments in politics and society as well as within the company with a view to monitoring human rights risk management. It also reports transparently on human rights issues in its annual CR Report and makes information on this available via its [company website](#) .

5. Complaints mechanisms and corrective actions

Even with the measures implemented by the Telefónica Deutschland Group to protect human rights, risks or violations cannot be entirely ruled out. For stakeholders to be able to directly bring such (potential) faults to the attention of the Telefónica Deutschland Group, it makes a whistle-blower mechanism available to them. This comprises three reporting channels, which can be contacted in various ways in order to make the procedure as accessible as possible as well as confidential. The [external reporting channel](#)  is overseen by a lawyer who assumes the role of an ombudsperson; the [human rights inbox](#)  is managed by the competent internal department, CR & S, together with the Human Rights Officer. There is then a third confidential channel incorporated into the Telefónica, S.A. supplier website. Neither the ombudsperson nor the Human Rights Officer is bound by instructions and act independently.

The procedure is open to anyone wishing to submit a complaint or a report regarding human rights risks or violations which have occurred or could potentially occur in their own business area or in the Telefónica Deutschland Group's value chain. Whether or not the reporting person is themselves affected is irrelevant. Reports are discussed in detail with the reporting person and reviewed by the Human Rights and Environment Committee as well as the relevant departments. Ongoing communication is maintained with the reporting person in order to make the procedure as transparent and as inclusive as possible.

¹ Applies to all new suppliers contracted in the reporting year. All new suppliers (MCT) are required as contractual partners to accept the Supply Chain Sustainability Policy.

Should the procedure indeed show that there is a risk or that a violation has occurred, the Telefónica Deutschland Group's Human Rights and Environment Committee will introduce suitable preventive measures and/or remedial action to prevent, mitigate or terminate the risks or violations. The expectations of the person affected are incorporated into elaboration of the measures.

Protecting the reporting person from reprisals is a key concern for the Telefónica Deutschland Group. Everyone who is charged with handling the reports is therefore contractually obliged to observe confidentiality and impartiality as well as guarantee their independence and autonomy. The Telefónica Deutschland Group naturally also offers the option of submitting a complaint anonymously via the ombudsperson. Upon conclusion of the procedure, the reporting person is contacted to ensure that they did not suffer any discrimination or punishment as a result of the procedure.

The effectiveness of the procedure is regularly reviewed to ensure that it continues to fulfil its purpose and that it can be improved if necessary. Here, too, the opinions of the reporting person are incorporated; these are obtained in a questionnaire completed upon conclusion of the procedure. The procedure results are also incorporated into the modification of risk management and risk analysis.

In line with the requirements as per LkSG, the Telefónica Deutschland Group has produced rules of procedure in German, English, Spanish, French and Chinese that describe the various reporting channels and the whole process in detail for (potential) users. These rules of procedure can be found on the Telefónica Deutschland Group website with a link to a read-aloud function. A simplified version of the process in chart form can also be found there as a way of overcoming further accessibility barriers.

A human rights complaint was submitted by a reporting person in 2022 relating to undercutting of the minimum wage. The Human Rights and Environment Committee addressed the case in detail, consulting both the reporting person and the supplier. Upon the Compliance and Internal Audit departments conducting investigations at the supplier and sub-supplier, the accusation could not be confirmed. The Telefónica Deutschland Group will take this case into account in its future risk analysis, thereby keeping an eye on this topic in particular.

Should the Telefónica Deutschland Group learn of human rights violations by means other than the reporting channels mentioned, it will develop and implement corrective actions and suitable concepts to minimise or terminate such shortcomings there too.

Employee matters

Qualified and motivated employees are a crucial component in the success of the Telefónica Deutschland Group. It wants to offer them a work environment in which they can fully develop their potential and invests continuously in professional development and talent development. At the same time, it strengthens diversity and equal opportunity and pays attention to health and safety.

Labour–management relations

THE KEY FACTS:



Hybrid working is now well established in the Telefónica Deutschland Group.



The Management Board visited all seven Telefónica Deutschland Group sites again for the first time since 2019.



Employee satisfaction and the employees' identification with the company increased again in 2022.

BASIC PRINCIPLE AND CHALLENGES

Hybrid collaboration is the new standard

The Telefónica Deutschland Group wishes to establish an appreciative work environment in which all the employees can enhance their long-term employability, maintain their wellbeing and take advantage of the opportunities offered by digitalisation. The company is focusing more than ever on hybrid collaboration, flexibility and productivity in order to take the digital transformation forward – all while considering the individual employees' needs as well as the company's contribution to society. In this way, the Telefónica Deutschland Group wishes to strengthen its competitive position, safeguard its ability to innovate and rise to the challenges posed by the shortage of skilled workers.

Since the onset of the pandemic, many Telefónica Deutschland Group employees have productively collaborated almost exclusively virtually. Personal meetings nevertheless remain important. Employees therefore collaborate within a hybrid working model. This "new normal" calls for a good balance being struck between business interests and the employees' needs and also for clear agreements. The organisation has already successively adapted its perspective from solely working from home to a hybrid working model in 2022.

The 5 Bold Moves serve as the Telefónica Deutschland Group's guidelines for the digital working world. One important objective of these five key initiatives is to boost employee engagement and loyalty by means of flexible work options. The aim is to make the more of the employees' potential across all the generations, genders and professional and personal backgrounds and enable staff to reconcile their various lifestyles with professional needs.

Employee engagement is a key factor in the success of the Telefónica Deutschland Group – and the potential of the approximately 7,500 employees to pull together in society to promote the responsible handling of digital transformation is just as big. With the involvement of the executives, the Telefónica Deutschland Group is therefore creating a work environment to which the employees can actively contribute with their achievements, their ideas and their social engagement, for example during a volunteering week on the topic of the environment.

The company sets great store by interactions founded on fairness, working together as partners and an inspiring, motivating work climate. The Telefónica Deutschland Group wishes to remain an attractive employer for its employees as well as for external applicants in the future on the basis of appropriate measures and in ongoing dialogue with its staff.

PROCESSES AND MANAGEMENT

Regular feedback from the employees

The Chief Human Resources Officer (CHRO) has overarching responsibility for the area of staff matters. In addition, employee representatives at all the sites advocate for the employees' interests. Employee surveys are conducted regularly to assess the attractiveness of the work environment and the progress made with the core issues regarding company-wide digital transformation. This includes a short survey conducted throughout the year known as Pulse Survey and the annual global Employee Experience Survey. Both types of survey are conducted online, anonymously and voluntarily among all employees of the Telefónica Deutschland Group. The values

measured include the employee Net Promoter Score (eNPS), which is a sign of the likelihood of employees recommending the Telefónica Deutschland Group as an employer. It is therefore a key indicator of the Group's attractiveness as an employer. Scores are also calculated for agility, leadership skills and mobility.

The company achieved an eNPS of 66.2 in the employee survey conducted at the end of 2022 – higher than the score achieved in the 2021 year-end survey (60.4). Anything above zero means the majority of the employees are happy and would recommend their employer. The key drivers were among others the high degree of flexibility regarding working time and place of work. Other issues that contribute to the eNPS in particular are the employees' communal spirit, joint social engagement, and development and career opportunities.

Other results show that 94% of the employees feel they are part of a team in the Telefónica Deutschland Group's hybrid working world and that the core transformation topics such as management development, mobility within the company and the development of material future skills are successfully advanced. 93% of those surveyed identify with the Telefónica Deutschland Group's business purpose – they agree with the statement that what the Telefónica Deutschland Group does has a specific purpose and that society benefits from this. This figure slightly improved year-on-year.

The response rate for the global survey was 79% in 2022; it thus exceeded the previous year's value (2021: 77%). Together with the Pulse Surveys conducted during the year, the global Employee Experience Survey plays a part in the Telefónica Deutschland Group regularly reviewing the progress it has made regarding its key HR strategy topics on the basis of data and then implementing targeted measures. The results are additionally made available to executives in a digital dashboard, where they can see the figures for their division.

With the help of its HR strategy, the Telefónica Deutschland Group manages its measures and processes and identifies focal issues. Its policies regarding human rights, equality and anti-discrimination contain principles and guidelines for handling its employees. The Business Principles additionally apply to all employees.

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Labour-management relations

	Unit	2022	2021	2020
Employee Net Promoter Score (eNPS)	Score	66.2	60.4	53.8
Response rate	%	79	77	77

STRATEGIC PRIORITIES

High degree of flexibility in day-to-day work

The Telefónica Deutschland Group defined its future ways of working with its 5 Bold Moves and embedded these step by step within the company, for example by means of specific information events, supplementary material and coaching for executives and employees. Over the course of 2022, the company was able to further establish its hybrid working model, in part because personal meetings were once again possible more frequently.

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

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

With the increasingly digital way of working that comes with these initiatives, the Telefónica Deutschland Group is improving the reconcilability of different lifestyles with professional needs and is promoting inclusion with a view to offering new opportunities in terms of women in management positions. It endeavours to offer its employees as much flexibility as possible regarding their day-to-day work. For example, it offered them free IT equipment and discounted office furniture for working from home during the pandemic-related restrictions.

To promote open communication within the company, various formats involving the Management Board and employees are in place. These include regular digital dialogue meetings with executives and a digital format which gives employees the opportunity to engage directly with the Chief Human Resources Officer (CHRO) and obtain information on changes which are relevant to them, ask questions and give feedback. In 2022 the Management Board was able to visit all seven sites consecutively and engage with the employees on-site once again for the first time since the outbreak of the pandemic.

Diversity, equal opportunity and non-discrimination

THE KEY FACTS:



Flexible working models play an important role within the Telefónica Deutschland Group.



The company adopted an Equality Policy in the year under review.



The Telefónica Deutschland Group was included in the Bloomberg Gender-Equality Index (GEI) for the fourth consecutive time in 2023.

BASIC PRINCIPLE AND CHALLENGES

Boosting diversity at all levels

As a company with around 7,500 employees, equal opportunity and gender diversity are key concerns for the Telefónica Deutschland Group. This applies not only to access to digitalisation, which it as a telecommunications company wishes to afford all people, but also to career opportunities that cater to individual lifestyles. The Telefónica Deutschland Group firmly believes that diversity makes the company more creative and more efficient because in times of accelerated change in particular, the interplay of different skills, viewpoints, experiences and backgrounds is a key factor contributing to success and the Group's ability to compete. The Telefónica Deutschland Group wishes to play its part in creating a resilient society and economy with a work environment in which people are appreciated for their differences.

The Telefónica Deutschland Group wishes to promote and tap the full potential of all its employees, across all generations and genders. This is becoming increasingly important, in particular in view of ongoing demographic change and the resultant shortage of skilled workers. It is therefore crucial that employees be encouraged to continue to pursue internal mobility and further development at all stages of life and all career levels.

The Telefónica Deutschland Group has enshrined endeavours to make women in management positions successful and to increase the proportion of women in top management in its corporate goals. One challenge in this context is recruiting enough female future managers to be able to increase the proportion of women in managerial positions as planned.

As in the previous years, working time flexibilisation was of vital importance to all the employees again in 2022. The company will focus on flexibility even beyond the end of the pandemic in order to make it easier for the employees to reconcile various lifestyles with their work roles.

PROCESSES AND MANAGEMENT

Preventing discrimination

With the [Human Rights Policy](#) and [Anti-Discrimination Policy](#), the Telefónica Deutschland Group has made a commitment to fair, respectful and non-discriminatory treatment as the foundations of successful collaboration. The company has also underpinned this commitment by signing the Charta der Vielfalt (Diversity Charter). The Telefónica Deutschland Group's actions are furthermore guided by the United Nations' standards of conduct for tackling discrimination against LGBTQI people, to which it is a signatory (2021). It adopted an [Equality Policy](#) in 2022 which reaffirms the fact that the work environment should be free of harassment and discrimination and that there should be equal opportunity regarding employment, job classification and career development. Related to this is the attempt to increase the proportion of employees with disabilities in the company. A new director's role was created in the year under review which reports directly to the Chief Human Resources Officer and is responsible for the topics of diversity, inclusion, innovation and culture. The management team promotes diversity regarding knowledge, experience, gender, nationality and other aspects across all positions and hierarchical levels.

If the Business Principles are violated, for example in the form of bullying or harassment, employees can contact a confidential whistle-blower system with an independent ombudsperson or the human rights reporting channel. More on the whistle-blowing channel, employee training on treating each other ethically and the Business Principles can be found in the ["Anti-corruption and conflicts of interest"](#) chapter. The online training provided regarding Germany's General Act on Equal Treatment (AGG) and focusing on diversity and inclusion is mandatory for all employees every three years. Up to the end of the reporting year, 91.2% of the employees had been given training on the AGG in the past three years, equating to a total of 4,913 training hours.¹

¹ Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,181; previous year: 7,030). The calculation includes the completed training units of the last three years. For 2022, this means 6,550 completed training units between 1 January 2020 and 31 December 2022.

The Telefónica Deutschland Group had a gender pay gap of 18.2% in the year under review (2021: 19.5%). The Group is committed to further reducing the gender pay gap within the company and is in close contact with the Management Board and Supervisory Board. The uniform remuneration system at Telefónica Germany GmbH & Co. OHG is also to contribute to this, ensuring that positions and salaries are assessed objectively and treated equally. The Telefónica Deutschland Group analyses the gender pay gap, i.e. the difference in the average pay of men and women, in detail and has succeeded in reducing this pay gap in recent years. From 2018 to 2022 the gender pay gap fell by 4.5 percentage points. In addition, an estimation model is used to also calculate what is known as the adjusted gender pay gap, which is a measure of the difference in the remuneration of men and women in comparable positions and with comparable experience and which therefore serves the more targeted management of fair pay. The adjusted gender pay gap was 1.8% in the year under review.

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Diversity, equal opportunity and non-discrimination

	Unit	2022	2021	2020
Women in senior management (incl. Management Board)	%	32.1	28.8	27.8
Confirmed incidents of discrimination and corrective actions taken	Number	0	0	0
Gender pay gap	%	18.2	19.5	20.6
Gender Pay Gap (adjusted) ¹	%	1.8	n.a.	n.a.

¹ The calculation of the gender pay gap (adjusted) is based on the employees of the Telefónica Deutschland Group who are either active or on paid leave (2022: 6,995).

STRATEGIC PRIORITIES

Recognition of our equal opportunity

The Telefónica Deutschland Group is actively involved in the Telefónica Group's Global Diversity Council and promotes diversity in a variety of ways: the Telefónica Deutschland Group's workforce includes people from 74 different countries, talented young individuals, older members of staff and, for a number of years now, two women on the Management Board. The Telefónica Deutschland Group has been recognised numerous times for its commitment to equality and inclusion. It was included in the highly regarded [Bloomberg Gender-Equality Index \(GEI\)](#) for the fourth consecutive year in 2023.

The employees themselves appear to be very happy too – 94% of them (2021: 94%) stated in the company-wide survey conducted in late 2022 that they experienced pronounced equal opportunity at the Telefónica Deutschland Group. The flexibility of being able to decide themselves when and where they work in Germany makes it an attractive employer for employees at various stages of life. For the Telefónica Deutschland Group, equal opportunity also includes equal access to digital skills – this is an important element of participation in the working world. With the Digital Basics Learning Journey, for example, the employees are offered content that can be easily incorporated into their daily working lives. With this programme, the company gives all the employees the opportunity to learn important future skills irrespective of their training background, stage in life or work reality, thereby promoting equal opportunity (more information on this in the ["Training and education"](#) chapter).

Improved career prospects for women

Increasing the proportion of women in management positions is a key concern for the Telefónica Deutschland Group – the company slightly exceeded its target of having 31% women in top management positions by the end of 2022, achieving a level of 32.1%. The proportion of women is to increase to at least 33% by 2024. With this target, the Telefónica Deutschland Group sets itself apart from the targets that generally apply in the German information and telecommunications industry. Since 2022 it has also given this non-financial target a greater weighting in the calculation of the Management Board's variable remuneration – it now has a weighting of 3% compared to the previous weighting of 1% (more information on this in the ["Governance for responsible corporate management"](#) chapter).

The vibrant internal community TelefónicaConnects serves women at the Telefónica Deutschland Group as a networking platform. As well as providing inspiration through regular specialist presentations by engaging personalities and role models, this initiative increases the overall visibility of women at the company. More than 340 employees were active in the network in 2022, playing their part in promoting gender diversity at the company.

Training and education

THE KEY FACTS:

-  The Telefónica Deutschland Group further strengthened access to training and education in all stages of life, with a focus in particular on key future skills.
-  The company further develops executives and up-and-coming talent in a targeted manner.
-  Almost half of the vacancies advertised were filled internally – including thanks to the promotion of internal mobility.

BASIC PRINCIPLE AND CHALLENGES

Offerings for various stages of life

The Telefónica Deutschland Group wishes to offer its employees high-quality training and education opportunities across all generations, career levels, work realities and stages of life. In this way, it is pursuing the goal of adapting to digital transformation together with the workforce and enabling everyone to make use of the opportunities offered by digitalisation. The focus here is on developing and enhancing digital and data-centred skills and embedding internal mobility and agility in the company.

With its different ways of working and hybrid working models, the digital working world presents not only employees, but also executives with new challenges. For everyone to be able to jointly actively shape transformation, the Telefónica Deutschland Group is making targeted investments in the ongoing, managed further development of employees and executives, for example with regard to individual responsibility, a focus on results and team development. In this way, the Telefónica Deutschland Group wishes to safeguard the individual employees' employability, invest in the company's future viability and contribute to the competitiveness of the German economy.

The Telefónica Deutschland Group is also pursuing the goal of acquiring highly qualified new employees. Using various initiatives, it seeks to inspire young talent in particular and promote their development. In this way, it secures qualified junior staff and strikes a good generational balance. Both of these together – the employees' professional development and the acquisition of new talent – will strengthen the workforce's employability and the organisation's future viability in the long term.

Different work realities, for example in the corporate functions, in customer service and at the shops, call for carefully designed learning and further-training options in order to make the

offerings accessible for all the employees equally. The digital formats put to the test in the two previous pandemic years such as interactive virtual live sessions were used again in 2022. It was additionally once again possible to organise executive development meetings or team building and team development meetings as in-person meetings.

PROCESSES AND MANAGEMENT

Focus on the employees' needs

The employee survey, conducted for the first time in 2021 on the topic of further development at various stages in life, once again served as the basis for developing new further-training offerings in 2022. The survey showed that there is a high degree of general willingness within the workforce to develop further across all the generations and stages of life. But many employees also want more development opportunities that take their specific needs into account. The Telefónica Deutschland Group catered to this wish in 2022 by launching new programmes that aim to include employees of all work realities. These include basic training on data and artificial intelligence as well as e-training on digital basics – both within the context of the established Digital Basics learning opportunities.

The significance of training and education for the employees is enshrined in the [Business Principles](#)  ("Professional development") and expanded on in the HR strategy. The employees spent an average of 16 hours on training and education in the year under review. This has decreased slightly compared to the previous year (2021: 17). This drop is attributable to the fact that the Telefónica Deutschland Group had a larger offering at the launch of Digital Basics modules in 2021.

According to the 2022 employee survey, 90% of the employees have an appraisal of their skill and knowledge development

with their executive at least once a year, while 69% have such an appraisal at least once every six months. The Telefónica Deutschland Group intends to further increase these quotas with its new performance management programme: annual employee development meetings will be mandatory from 2023. The objective is to establish a growth- and solution-oriented feedback culture as a culture of learning which promotes further development and is motivational.

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Training and education

	Unit	2022	2021	2020
Average hours of training and education per year per employee ¹	Number	16	17	11

¹ The calculation for the reporting years 2021 and 2022 was made on the average employee basis of the respective reporting year (PIP 2021: 7,779; 2022: 7,390) of the Telefónica Deutschland Group including employees on sabbatical leave, but excluding external consultants and temporary staff.

STRATEGIC PRIORITIES

Developing skills and changing perspectives

The Telefónica Deutschland Group wishes to offer all employees the opportunity to grow personally and professionally. The Digital Basics Learning Journey launched in mid-2021 is an initiative developed with this in mind. It teaches the basics of and key terms relating to the most important technologies and trends of digital transformation in order to increase the workforce's digital fluency. In this way, the Telefónica Deutschland Group is enabling all the employees to participate in the digital transformation, seize opportunities and realise their full potential. In 2022, the Telefónica Deutschland Group launched the "Agile Learning Journey" learning programme with the aim of offering all employees and executives a uniform and managers a uniform learning offer on agile ways of working. These should help the company achieve customer-oriented results, be better at responding to the changing market requirements and establish a culture of continuous improvement.

More than 3,500 employees have participated in the programme since it was introduced in 2021, learning the fundamentals in such topic areas as data, cloud computing, cybersecurity and data protection. In addition, the offering was expanded in 2022. Employees now have the opportunity to broaden their basic knowledge of data and artificial intelligence with the help of the Stackfuel learning platform, a long-standing partner. To do justice to one of the programme's key aspirations – the inclusion of all employees – e-training was developed in the year under review for the target group of sales and call centre agents that can be better incorporated into their work reality in terms of format, duration and content. And finally, all the employees of the Telefónica Deutschland Group were offered two new live training sessions focusing in detail on macro-trends of significance to the company, namely the metaverse on the one hand and AI and automation on the other. A total of 1,500 employees were reached with this and other central upskilling offerings (without LinkedIn Learning).

As part of its BEYOND initiative, the Telefónica Deutschland Group uses a platform based on artificial intelligence to bring suitable development options within the company to the attention of the employees on the basis of their skill profiles. These may be, for example, vacancies, job rotations or project assignments. This encourages employees to be open to adopting different perspectives again and again and to grow with the new responsibilities that come about due to permanent role changes. More than 43% of vacancies were filled internally in the reporting year and there were more than 50 job rotations. BEYOND thus promotes the employees' willingness to be internally mobile. The initiative also features "learning journeys" regarding selected, strategically relevant and future-oriented skills. New training was added to the Data Analytics & Science learning journey in 2022.

Strengthening executives and promoting up-and-coming talent

The leadership journeys are a way for the Telefónica Deutschland Group to make a targeted investment in its executives in order to strengthen them in their roles as the drivers of change, efficiency and engagement and to make ongoing further development available to them too. Other supportive measures for executives in 2022 included individual coaching and team workshops together with professional trainers.

The Telefónica Deutschland Group additionally conducted development audits for the entire extended leadership team, i.e. the top 200 executives, together with an external institution in 2022. The aim of the development audits was to make objective feedback available, including with regard to the market, and lay out tailored development plans.

The Telefónica Digital Transformation Programme, an initiative for young, experienced talent launched in the previous year, was continued in 2022. It focuses on skills in the data, technology and commercial areas. These qualification profiles are of major strategic and interdivisional importance to the company. The young professionals' stations include project assignments and job rotations within various divisions as well as at the company's own Wayra start-up and innovation laboratory. They are mentored by someone at the Management Board or directorship level.

The offering for trainees and dual-studies students was continued. The Telefónica Deutschland Group recorded 22 new recruits in 2022. In addition, interns and working students are offered the opportunity to make a success of their subsequent career starts by giving them initial insights into the business environment. A trainee retention rate of 72.7% was achieved in 2022. Many trainees chose other options in spite of being offered a position at the company, some for example choosing to pursue a new challenge in a different industry.

Employee health and safety

THE KEY FACTS:



The Telefónica Deutschland Group established training for executives on mental health in the hybrid work environment.



The company was placed in the “Excellence” category of the Corporate Health Award for the fourth time.



The Telefónica Deutschland Group launched a new app for the O₂ Telefónica Run+ Challenge 2022 and the Feel Good Nutrition Challenge.

BASIC PRINCIPLE AND CHALLENGES

Health and safety as top priorities

The Telefónica Deutschland Group is especially concerned with providing a safe work environment and maintaining and promoting the health of its employees, in particular in view of the ever-changing demands of the digital world. The company therefore engages in comprehensive health management to promote the health of its employees and prevent work-related illness and occupational accidents. In this way, the Telefónica Deutschland Group wishes to make a key contribution, promote good health and wellbeing in society and maintain people’s employability.

With there currently being multiple overlapping crises with COVID-19, the war in Ukraine, inflation and the energy crisis, there is an increased risk of health problems and, in particular, psychological stress. The Telefónica Deutschland Group aims to identify these strains early on and effectively tackle them with health-promoting measures. Infections and illnesses related to the COVID-19 virus still pose a variety of health risks for the employees. The risk of infection was minimised by implementing targeted measures to protect against infection, thereby reducing the risk of work-related ill health.

A large proportion of the workforce collaborated virtually from their respective homes again in the reporting year. The Telefónica Deutschland Group endeavours to promote the health of all the employees via comprehensive digital programmes. There was also a focus in 2022 on making in-person meetings possible in order to balance out the professional interaction deficits caused by the majority of people working from home.

PROCESSES AND MANAGEMENT

Holistic health policy as the bedrock

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

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

The “Integrated occupational safety and health management manual”, which applies to all the employees of the Telefónica Deutschland Group, serves as the basis here. This manual serves as the implementation framework for a holistic health policy and describes the responsibilities, processes and rules required for occupational health and safety management for all those involved in this area. The aim is to achieve the health policy targets set by the Management Board by means of a uniform, consistent and sustainable management system. The management system applies to all Telefónica Deutschland Group companies and their bodies, executives and employees. The management system and the manual are based on the DIN EN ISO 45001:2016 certification standard.

The Telefónica Deutschland Group is bound by the provisions of Germany’s occupational health and safety legislation as well as other statutory prerequisites and the country’s occupational insurance scheme requirements. Overall responsibility for implementation is borne by the Management Board or the management of the company in question together with the executives. The HR Digital, Data & Solutions directorate reports to the Management Board on the latest and relevant developments in the area of occupational health and safety.

To create and maintain safe and healthy workplaces, the company performs risk assessments for both physical and mental health as required by health and safety law and acts on the basis of nationally standardised guidelines. These assessments cover all accident and health risks related to the workplace. Potential hazards are identified in the course of risk assessments and appropriate measures are then introduced. This above all serves to minimise the risk of accidents and preserve the health of the employees¹ in offices, in the shops and at the technical sites. Accident evaluation is the responsibility of each company's occupational health and safety committee. The company's register of hazardous substances is part of the ISO 14001 documentation and is examined and reviewed annually by an external body as part of the monitoring audit.

The Telefónica Deutschland Group also performs regular occupational health and safety audits such as reviewing the management systems in the course of recertification in accordance with the ISO 9001, 14001 and 50001 standards. In the external audit for participation in the Corporate Health Award, the Telefónica Deutschland Group was placed in the "Excellence" category for the fourth time. Regular training and instruction are conducted to further improve the employees' safety awareness. This includes web-based training on the topics of general occupational safety in the offices and shops, fire safety and work conducted at height as well as information events and courses to minimise psychological stress.

A half-yearly company-wide health forum whose attendance is made up of employer and employee representatives as well as other internal stakeholders is additionally held by Corporate Health Management. As a strategic body, it deals with the planning and management of health issues as well as implementation of the health policy throughout the Group. The proportion of the total workforce represented in occupational health and safety committees and bodies is 100%. The health forum also serves as a platform for sharing information and for inspiration and advice. Agreements with the social partners (employee representatives) are covered by formal written works agreements dealing with health and safety topics.

STRATEGIC PRIORITIES

Taking care of health

In view of ongoing infections with COVID-19, the Telefónica Deutschland Group attached particular importance to its duty of care regarding its employees' health in 2022 too and once again effected a variety of measures as part of its health management to deal with this challenge appropriately. The infection protection plans developed and continuously updated by the company remained in place.

With digital programmes, the Telefónica Deutschland Group provided its employees with a variety of offerings to get them moving, encourage them to eat healthily, break down stress and overloading, and increase their resilience. Once again in 2022, there was a focus in particular on the preservation of health when working from home. The online offerings in the form of motivational speeches, Deep Dive Workshops, interviews with affected individuals and fitness specials were mostly recorded, meaning the employees could retrieve the content from anywhere and at any time via an online media library.

A new health app was used for the first time in the year under review as part of a pilot project. This app serves as the digital basis for needs-based and targeted offerings in the area of prevention-oriented health promotion and offers the employees an easy entry point into the Telefónica Deutschland Group's Feel Good programme. The app was first used in the O₂ Telefónica Run+ Challenge 2022 and the Feel Good Nutrition Challenge. More than 30% of the workforce participated in the challenges.

As part of a health campaign launched in the previous year, the Telefónica Deutschland Group once again offered its executives innovative mental training in 2022 in order to enhance their mental health. In addition to this, the offering for executives was expanded to include training on mental health in the digital (hybrid) work environment. This looks at how executives can recognise when their employees are experiencing psychological difficulties and how to deal with such issues even if they do not work in the same physical place. The Telefónica Deutschland Group was able to further increase the reach of its health promotion offerings through the use of digital solutions. In terms of work-life balance, the assistance provided included virtual advice in the areas of life situation coaching, childcare and care for the elderly.

There was an absenteeism rate of 5.9% in the year under review (previous year: 4.9%). The rise in accidents in 2022 can be explained by the higher number of commuting accidents. This is due to the increased mobility as a result of the changes to COVID-19 infection control measures for companies. This made it possible to again work more in the office and less from the home in 2022. Consequently, more workers commuted to work in the office than in 2021. However, the lost day rate due to accidents at work decreased significantly.

T 09

Employee health and safety

	Unit	2022	2021	2020
Absenteeism rate ¹	%	5.9	4.9	5.9

¹ The absence rate is calculated by dividing the number of sick days by the result of 250 target working days multiplied by the average of the total workforce (Ø PIP 2022: 7,390).

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

Energy and CO₂

THE KEY FACTS:

- ✓ The Telefónica Deutschland Group is aiming to neutralise its Scope 1 and Scope 2 emissions by 2025.
- ✓ All emissions are to be reduced to net zero by 2040, including Scope 3 emissions.
- ✓ Power purchase agreements (PPA) are a core component of the company-wide climate strategy. They enable the company to invest directly in renewable energies as well as enhance the reliability of its energy supply planning.

BASIC PRINCIPLE AND CHALLENGES

Digitalisation as a climate protection opportunity

According to a Bitkom study¹, digital technologies can reduce carbon emissions in Germany by a fifth as digitalisation accelerates, thereby helping to achieve the national climate targets. This is potential that needs to be exploited in particular in the areas of energy infrastructure, mobility, industry and agriculture. The telecommunications industry can play a key part in combating climate change and in the decarbonisation of the economy and in so doing help to make society's basis for life sustainable. For example, the energy sector cannot successfully manage the energy transition without digitalisation. Electricity grid operators and energy utilities are having to increasingly oversee decentralised renewable energy sources and manage current flows. Only when the electricity grids are connected to telecommunication services do they become smart grids that allow electricity generation and consumption to be managed efficiently.

However, the increase in the volume of data transmitted via the networks as part of this ongoing digitalisation requires additional electricity, which in turn influences the environment and climate. At around 98%, network technology accounted for the largest share of electricity consumption at the Telefónica Deutschland Group in the reporting year. Telecommunications companies therefore need to make their networks and data centres more compatible with climate protection by boosting their energy efficiency. The Telefónica Deutschland Group has therefore established a three-year energy saving programme with the aim of using around 20% less energy by the end of 2025 compared to 2021 through AI-supported network standby technology, network modernization and cloudification. Back in 2016 the mobile communications industry was the first sector in the world to commit to supporting the United Nations' Sustainable Development Goals (SDGs). In the UN's 2030 Agenda, goal number 13 focuses on climate change. The industry is therefore

implementing a variety of measures to combat climate change and its impacts.

The Telefónica Deutschland Group's Spanish parent company has committed itself to joining the United Nations in combating climate change and has to this end formulated energy and climate targets for the years 2025, 2030 and 2040. These targets are based on the 1.5-degree scenario of the Paris Agreement and include Scope 1, 2 and 3 emissions: all emissions are to be reduced to net zero by 2040, including those in the Group's own value chain. Telefónica, S.A. is the first telecommunications company to have had its targets validated by the Science Based Targets initiative (SBTi). This means the targets of the Telefónica Deutschland Group have been validated and the Group's programmes and measures are contributing to the target of 1.5 degrees being achieved.

The Telefónica Deutschland Group rates the topics of the environment and climate protection as being material to its sustainability strategy. It relies on a variety of elements to save energy and reduce greenhouse gas emissions: it invests in energy-efficient technology, uses renewable energies, promotes low-pollutant mobility and is increasingly offering its customers sustainable products and services. With the help of the Telefónica Deutschland Group's infrastructure and services, businesses and people can likewise realise their sustainable digital business models and thus conserve the environment.

Target of net zero greenhouse gas emissions by 2040

The assumption of responsibility for the environment and the climate is a basic principle of the Telefónica Deutschland Group. It is at the very heart of its climate strategy, with which it aligns itself closely in the Group-wide commitment: the company wishes to reduce its emissions throughout the value chain in order to achieve a volume of greenhouse gas (GHG) emissions which is compatible with the 1.5-degree target. The target is to achieve net zero emissions by 2040, with an interim goal of

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

reducing carbon emissions¹ by 39% by 2025 in comparison to 2015. In terms of its own direct (Scope 1) emissions and emissions caused indirectly (Scope 2) by procuring power and due to its own travel activities, the Telefónica Deutschland Group wishes to have neutralised its carbon emissions by 2025 at the latest. It is offsetting emissions which are unavoidable and is investing in certified climate protection projects with high environmental and social standards (“nature-based solutions”).

T 10
Our target by 2025: neutralisation of Scope 1 and Scope 2 emissions

	Unit	2021	2022	2025 targets
Carbon reduction ¹	%	97	97	95
Energy efficiency ²	%	78	81	87

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

Scope 3 emissions, for example in the supply chain, are evaluated in a coordinated manner throughout the Telefónica, S.A. Group and tackled and reduced via corresponding measures. As such, the Group is following the findings and recommendations of recognised international institutions such as the Intergovernmental Panel on Climate Change (IPCC) and the Science Based Targets initiative (SBTi), whose criteria the Telefónica Deutschland Group likewise drew on to develop its climate strategy.

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

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

through high-quality carbon reduction projects, preferably projects that remove carbon from the atmosphere.

5G works more efficiently than the predecessor technologies. The Telefónica Deutschland Group is nevertheless expecting to see a significant increase in total energy consumption due to its network being expanded to include 5G, thus resulting in greater network coverage, data volumes and speed. This presents the company with major challenges, among other things in view of the sharp increase in energy prices in the year under review as a result of the war in Ukraine. The “energy consumption per data volume (GWh/PB)” performance indicator selected by the Telefónica Deutschland Group allows it to optimally measure and document its progress in the area of energy efficiency. The company has set itself the goal of significantly increasing its network power efficiency with the very latest mobile communications standard and technical modernisations: in other words, of continuously reducing the electricity consumed per byte. In this way, the Telefónica Deutschland Group is striving to be a sustainability trailblazer in Germany’s telecommunications industry. Here, it aspires to offer its customers the “greenest” network in the future.

Climate protection is relevant to business success

With this target, the Telefónica Deutschland Group wants not only to improve its environmental footprint, but also to do business sustainably and safeguard its ability to compete. By doing this, it hopes to achieve effective risk prevention, a strong reputation, profound brand perception, and high scores for the company in financial market ratings. Climate change and its effects, such as the possibility of more frequent extreme weather events, also entail concrete risks with regard to the mobile communications infrastructure. Preventive and reactive emergency management is in place for all of Germany’s mobile communications networks in the event of power outages and other disaster scenarios in order to maintain the basic supply of mobile communications.

PROCESSES AND MANAGEMENT

Management systems anchored in the company

In addition to the 2025 climate strategy, the binding company-wide [Environmental Policy](#) serves as the basis for all of the Telefónica Deutschland Group’s activities and is further supported by the Sustainable [Energy Management Policy](#). Both of these are aimed at its business processes in the areas of the network, office spaces, mobility, responsible procurement and its product and services portfolio with the main emphasis on sustainable innovations. Its Environmental Policy is established in the environmental guidelines in accordance with ISO 14001. The policy particularly seeks to promote the identification of and compliance with all relevant laws, norms, standards and other binding obligations. The environmental management system serves to prevent and minimise any negative effects that the activities and infrastructures of the Telefónica Deutschland Group may have on the environment and to keep on improving

¹ We use the term CO₂ emissions because CO₂ is the focus of our reduction. Nevertheless, in addition to carbon dioxide (CO₂), we also include the other greenhouse gases (methane [CH₄], nitrous oxide [N₂O] and climate-relevant refrigerant gases [F-gases]) in our calculation and use CO₂ equivalents for them.

environmental performance in general. The company has enshrined other requirements in the area of the climate and the environment in internal guidelines such as the sustainability-oriented purchasing guidelines, the waste guidelines and the travel guidelines. The Telefónica Deutschland Group aims to achieve the goal of improving the company's performance, products and services from an environmental point of view primarily through systematic performance evaluation on the basis of the targets defined in the Responsible Business Plan 2025.

The Telefónica Deutschland Group has also established its own [energy guidelines](#) in the company in accordance with ISO 50001. The first certification in accordance with this standard was performed by an external certification body in 2016. The guidelines are based on the Group's environmental management system and specify its principles in the area of energy. The Telefónica Deutschland Group's office sites have been certified in accordance with the environmental management standard [ISO 14001](#) and the quality management standard [ISO 9001](#) since 2004. The shops' environmental management is likewise based on the ISO 14001 standard. These processes are managed by internal energy and environmental management officers. Environmental issues and targets as well as all measures are subject to an annual management review prior to the external audit. In cooperation with the Quality Management Officer, the officers report on the management systems directly to the Chief Executive Officer. Climate and environmental strategies are developed in the relevant Management Board divisions Technology, Finance, and Legal and Corporate Affairs and are adopted collectively by the Management Board.

The company additionally offers its employees online energy and environmental training. In the year under review, there were also workshops on low-carbon procurement for relevant departments, such as Purchasing and Technology. Here, the Group-wide purchasing guidelines for reduced-carbon procurement as revised by Telefónica, S.A. in 2022 were presented. The aim is product selection which takes into account not only the acquisition costs, but also the energy and carbon costs throughout the life cycle.

STRATEGIC PRIORITIES

Improving energy efficiency and lowering carbon emissions

The Telefónica Deutschland Group is committed to the promotion of a low-carbon economy. It is continually improving its energy efficiency by switching to energy-saving components throughout the company. This enables it to make an active contribution to the reduction of greenhouse gas emissions. It is also focusing on natural resources being used efficiently and applies environmental criteria to its procurement processes in order to reduce its ecological footprint further.

Energy consumption per data volume totalled 0.08 GWh/PB in 2022. The Telefónica Deutschland Group was therefore able to reduce consumption by 81.40% in comparison to the reference year 2015.

The Telefónica Deutschland Group has had 100% green electricity sourcing at all of its sites since 2021, including at sites it uses jointly with other network operators. In doing so, the company is investing in high-quality renewable energy sources such as offshore wind with the aim of securing approximately 30% of its energy needs by directly sourcing it from wind power by 2025. In a pilot project, the Telefónica Deutschland Group is currently testing the use of photovoltaic systems at selected antenna sites in order to make its own contribution to renewable energy generation. Multiple systems are now being trialled.

Scope 3 emissions are of key importance to the Telefónica Deutschland Group. It has therefore been reporting its Scope 3.6 emissions (business travel) for many years and includes these in its neutralisation strategy. The other material Scope 3 emission categories are purchased goods and services, capital goods, fuel- and energy-related emissions, and use of the products sold. The target is to reduce Scope 3 emissions by 39% between the reference year 2016 and 2025. Net zero carbon emissions are to be achieved here too by 2040.

T 11

Energy and CO₂: climate targets

	Unit	2022	2021	2020
Energy intensity: total energy consumption per data volume	GWh/PB	0.08	0.09	0.12
Proportion of total electricity consumption from green electricity ¹	%	100	100	96

¹ Green electricity comprises direct procurement and electricity procurement certified with guarantees of origin. Since 2020 the calculation has included green electricity related to network and IT infrastructure used together with other companies, in addition to the volume of green electricity sourced by the Telefónica Deutschland Group.

T 12

Energy and CO₂: energy consumption

In GWh	2022	2021	2020
Total energy consumption	799	755	736
Total electricity consumption ¹	775	732	710
of which by the network and data centres ²	757	711	686
of which by offices, shops, call centres	18	21	24
Total fuel consumption ³	24	23	26
Energy from green electricity sources ⁴	775	732	679

¹ The figure for electricity consumption equals the volumes actually billed per electricity consumption point and, in some cases, forecasts of the volumes consumed.

² Network electricity consumption equals the number of mobile telephony and fixed line sites multiplied by an average electricity consumption figure per site. This was determined on the basis of historical consumption data. In the future, the values actually measured by smart meters will replace the figures generated statistically here.

³ Fuel consumption (in the form of diesel, natural gas and district heating) comprises the units provided via a direct contract between a supplier and the Telefónica Deutschland Group. The calculation of fuel consumption is in accordance with Telefónica, S.A., consequently using the international conversion factors, and is verified by the Spanish Standardisation and Certification Company AENOR INTERNACIONAL, S.A.U.

⁴ Green electricity comprises direct procurement and electricity procurement certified with guarantees of origin. Since 2020 the calculation has included green electricity related to network and IT infrastructure used together with other companies, in addition to the volume of green electricity sourced by the Telefónica Deutschland Group.

Smart helpers for efficient network technology

In a mobile network, the majority of the energy is consumed by network technology. But the resources allocated for peak load times are not needed for every hour of the day. During low-load periods, a site typically uses only 20% of the resources allocated for high-load periods. To save energy where it is not needed, transmitters can be switched to an energy-saving mode and resources in the form of one or more frequency bands which are temporarily not in use can be powered down when there is less voice and data traffic, such as in the night. A basic supply is always maintained, while individual capacity layers can be powered up or down depending on the current load. Smart systems allow for individual energy-saving measures at each network cell. Here, the Telefónica Deutschland Group aspires to ensuring that mobile communication customers do not notice any difference in the network quality. Significant energy-saving potential was achieved in a test conducted in July 2022. Its introduction is planned for 2023.

The power consumed by the network is already measured by smart metering systems at many of the sites. The power consumption of every mobile network installation equipped with a smart meter is recorded every second and is transmitted to a cloud server by an Internet of Things radio unit via the O₂ network. Subsequently, the power consumption of all the sites is to be analysed on the basis of alerts when thresholds are exceeded, thus allowing for predictive maintenance, facilitating the early identification of malfunctions and lowering the related costs.

Lowering emissions for company mobility

The pandemic meant that travel activities were again significantly lower in the reporting year than in the years prior to the pandemic, in spite of an increase in travel in 2022. In comparison to 2019, the last year not impacted by the pandemic, the company recorded about 63% fewer kilometres for flights and over 22% fewer for rail travel in the year under review.

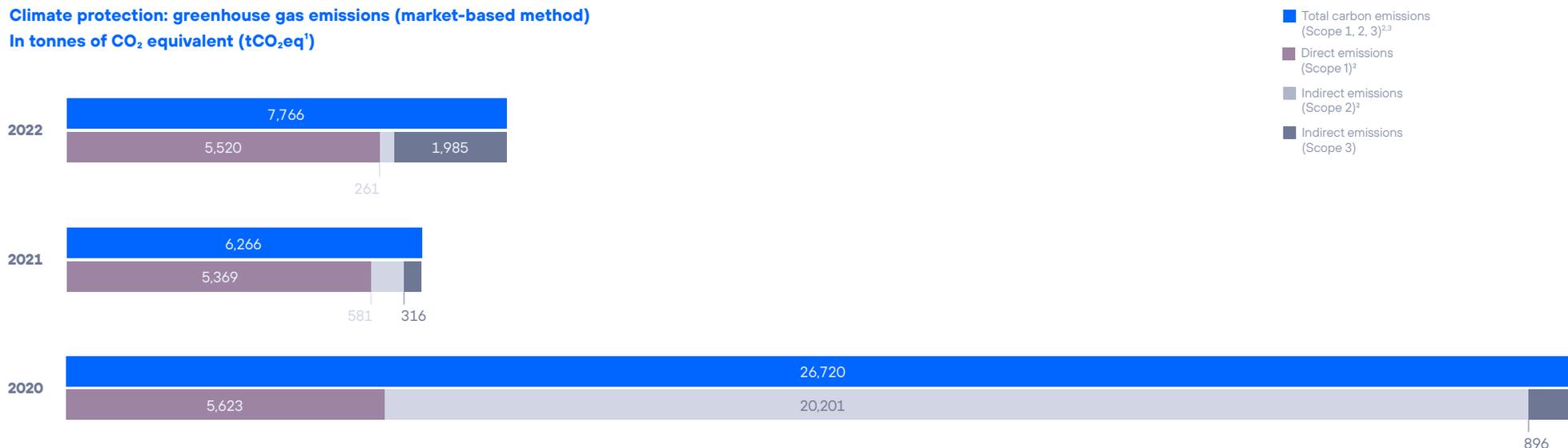
However, the figure for other indirect emissions due to business travel (flights and rail travel) is only of limited meaningfulness when compared with the pre-pandemic years. The company is nevertheless still aiming to reduce the number of business trips taken by its employees between national and international Telefónica sites by 70% in comparison to 2019. This relates to internal meetings and workshops. With the key initiatives of its HR strategy, 5 Bold Moves, the Telefónica Deutschland Group wants to help the employees to work together virtually wherever this is possible and expedient. More information on 5 Bold Moves can be found in the "[Labour-management relations](#)" chapter.

In its travel guidelines, the Telefónica Deutschland Group promotes a switch to rail travel. The Group also wants to gradually transition its company cars to hybrid and electric drives. Almost 70% of the fleet was partially electrified by the end of 2022. Thus, the target of 50% was achieved. In addition to a fuel card, all e-vehicles come with a charging card. 26 charging points have now been installed and are operational at the Munich, Hamburg and Düsseldorf sites. The average carbon value¹ of company cars newly registered in 2022 was 55.7 g CO₂/km (2021: 51 g CO₂/km).

¹ Calculated on the basis of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP).

G 02

Climate protection: greenhouse gas emissions (market-based method)
In tonnes of CO₂ equivalent (tCO₂eq¹)



Indirect emissions in detail (Scope 3)



¹ CO₂eq = CO₂, CH₄, N₂O and climate-relevant refrigerant gases (F-gases).

² Carbon emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. The data and calculations have been verified by the Spanish standardisation and certification company AENOR INTERNACIONAL, S.A.U. A standard Germany-wide conversion factor is used to convert electricity consumption to carbon emissions. For the market-based method, 588.83 g CO₂ per kWh is used (source: Association of Issuing Bodies [AIB], European Residual Mixes 2020). Information on the site-based method can be found in the table of key figures.

³ Scope 3 emissions: other indirect emissions due to business travel (flights and rail travel). The emissions per km for flights and rail travel for the years 2020 to 2022 were calculated with emission factors applied Group-wide (source: UK government GHG conversion factors for company reporting, 2022). There are also other Scope 3 emissions not included in the total. These are listed separately. The focus at the Telefónica Deutschland Group is on business travel.

Disclosure on the EU taxonomy (Art. 8 Taxonomy Regulation)

Within the framework of the EU Action Plan on Sustainable Finance, the redirection of capital flows towards sustainable investments is a key objective. Against this background, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the Taxonomy Regulation) has entered into force as a uniform and legally binding classification system to determine which economic activities in the EU are considered "environmentally sustainable". The results of this classification are to be reported annually on a company-specific basis.

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

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

Currently, the EU has published regulations on sustainable economic activities as defined by the EU taxonomy for two environmental objectives (climate change mitigation and adaptation).

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

With the obligation to disclose a non-financial statement, the Telefónica Deutschland Group is required to apply the regulatory requirements of the Taxonomy Regulation. In accordance with Paragraph 315e (1) HGB, the Consolidated Financial Statement of the Telefónica Deutschland Group as of December 31, 2022 has been prepared in accordance with IFRS.

For the reporting year 2022, the proportion of taxonomy-eligible and non-taxonomy-eligible as well as taxonomy-aligned and non-taxonomy-aligned economic activities in turnover as well as capital expenditures (CapEx) and operating expenditures (OpEx) are to be disclosed.

For fiscal year 2021, the Telefónica Deutschland Group has allocated its activities to economic activities 8.1 (Data processing, hosting and related activities) and 8.2 (Data-driven solutions for GHG emissions reductions) from Annex I to the Delegated Climate Act. To address the existing uncertainties in the interpretation of the activity description, the Telefónica Deutschland Group has decided to publish an extended set of KPIs with a minimum and maximum approach per KPI for the year 2021 to ensure greater transparency of the analysis performed. The difference between the two approaches resulted from the consideration of telecommunication networks as connectivity solutions, which depends on the interpretation of the description of the economic activity 8.2. In the minimum value reported, the three KPIs (Turnover, CapEx and OpEx) were calculated considering only the development or use of digital services, without including the data transmission phases or the technologies necessary to carry out this transmission process. The maximum value also included the data transmission phase through the use of technologies such as fiber or 4G/5G.

On December 19, 2022, the European Commission published a "Draft Commission Notice" on the interpretation and implementation of the Delegated Acts of the EU Taxonomy (FAQs), which has not yet been published in the Official Journal of the European Union. This document contains a limited consideration of telecommunications networks as an element within Activity 8.2. In anticipation of a formally binding legal document, Telefónica Deutschland Group considers the published draft of the FAQs in its application of the EU Taxonomy under the assumption of the publication of the final version thereof and the consideration of future clarifications by the European Commission.

In said draft FAQ of December 19, 2022, an approach is taken that focuses on the essential contribution of digital services to climate change mitigation. Thus, the full potential of telecommunication networks as connectivity solutions is not considered, with the following exceptions:

- Share of the network directly related to a GHG emissions reduction solution.
- Expansion of (public) network infrastructure required to provide connectivity for GHG emission reduction solutions.
- ICT solutions that improve the energy efficiency of the 5G network.

However, it should be noted in this context that such digital solutions to reduce GHG emissions can only be provided on the basis of a holistic telecommunications network and should not be considered as detached parts of the technology.

By applying the FAQs for fiscal year 2022, the taxonomy-eligible KPIs are comparable to the minimum approach of fiscal year 2021.

In order to illustrate the difference compared with the maximum figures reported last year, the contribution of the fixed network and the 4G/5G network is also reported in three KPIs (at the end of each subsection). These are non-taxonomy Turnover/CapEx/OpEx after application of the FAQ.

Based on the descriptions of the economic activities in the Delegated Climate Acts of the Taxonomy Regulation, the activities of the Telefónica Deutschland Group were analyzed to determine whether and to what extent the economic activities are taxonomy-eligible in relation to the environmental objectives of climate change mitigation and climate change adaptation. Here, as in the previous year, activities 8.1 "Data processing, hosting and related activities" and 8.2 "Data-driven solutions for GHG emissions reductions" in the area of "Information and communication" were identified as taxonomy-eligible in the environmental objective of climate change mitigation. The Telefónica Deutschland Group's activities are not taxonomy-eligible under Annex II to the Delegated Climate Act (Environmental objective climate change adaptation).

The Telefónica Deutschland Group's cloud business activity is assigned to activity 8.1 and is capable of making a significant contribution to the environmental objective of "climate change mitigation" within the sense of the EU Taxonomy. The Telefónica Deutschland Group's IoT business is assigned to activity 8.2 and is also attributable to the environmental objective "Climate change mitigation". The following table provides a more detailed overview of the allocation of the business activities:

Taxonomy activities

Telefónica Deutschland's activities

Main activities that contribute significantly to climate change mitigation	Activity 8.1. data processing, hosting and related activities	Cloud services for the storage, management, control or processing of data via the Internet
	Activity 8.2. Data-based solutions to reduce greenhouse gas emissions.	ICT solutions such as M2M and private networks that collect, transmit, and store data that enable reductions in greenhouse gas emissions from other activities

The economic activities identified as taxonomy-eligible were assessed in the next step regarding their substantial contribution to the environmental objective "climate change mitigation".

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

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

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

The December 19, 2022 FAQs include clarification on the criteria for compliance and review of the aforementioned Code of Conduct. In early 2023, an assessment framework for external verification of compliance with the practices set out in the Code of Conduct will be added to the Code of Conduct.

As this evaluation framework has not yet been published, it is not possible to meet the technical screening criterion for fiscal year 2022.

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

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

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

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

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

To fulfill DNSH criterion 2), a climate risk analysis was performed for the more than 30,000 antenna sites of the telecommunications network. For this purpose, the climate scenarios RCP2.6 (temperature increase does not exceed the 2°C limit by the end of the century) and RCP8.5 (temperature increase is 4°C by the end of the century) were analyzed, considering time horizons up to 2030, 2040 and 2050.

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

As a final step, compliance with the minimum safeguards must be ensured. The Telefónica Deutschland Group respects and supports human rights including labor and consumer rights and

anti-corruption and bribery throughout its value chain. For this reason, the Telefónica Deutschland Group has a human rights due diligence process consisting of policies and commitments, risk analyses, deriving and implementing measures, monitoring the implementation of these measures and their results and communicating about them, and a grievance mechanism. Furthermore, guidelines, processes and management systems for the topics anti-corruption and bribery, fair competition and taxation can be accessed. The Telefónica Deutschland Group's systems and processes help to ensure compliance with the frameworks set out in Art. 18 of the Taxonomy Regulation. They are regularly reviewed for appropriateness and effectiveness and continuously developed.

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

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

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

Turnover KPI

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

The total revenue of EUR 8,224 million for the financial year 2022 forms the denominator of the revenue indicator and can be taken from the Consolidated Income Statement.

The revenues of the Telefónica Deutschland Group reported in the Consolidated Income Statement are analyzed across all Group companies to determine whether they were generated from the identified taxonomy-eligible economic activities in accordance with Annex I (Substantial Contribution to Climate Change Mitigation) of the Delegated Climate Act. A detailed analysis of the items included in the revenues is used to allocate the respective revenues to the taxonomy-eligible economic activities. The sum of the revenues in the amount of EUR 33 million of the taxonomy-eligible economic activities for the fiscal year 2022 constitutes the numerator. This contains revenues from

¹ Source: GSMA_Enablement_Effect
² Source: GeSI Mobile Carbon Impact

economic activity 8.1 in the amount of EUR 15 million and economic activity 8.2 in the amount of EUR 18 million. This results in a taxonomy-eligible turnover KPI of 0.4 %. An analysis of the taxonomy-eligible revenues with regard to the substantial contribution criteria has shown that the corresponding criteria regarding activity 8.2 are met. Consequently, the taxonomy-aligned revenue is 0.2 %.

Significant elements for the change in turnover KPIs compared to the previous fiscal year result from the clarification of the EU Commission in the FAQs, whereby the minimum approach of the KPIs of fiscal year 2021 applies in fiscal year 2022.

The Telefónica Deutschland Group's total revenue also includes 49 % of revenues related to the fixed network and 4G/5G network. Therefore, the figure is comparable with the previous year's figure of 47 % at the maximum level. A lifecycle analysis was carried out for these connectivity solutions in 2022. This demonstrated that the 4G/5G network leads to significant savings in lifecycle GHG emissions compared to the 2G/3G network. This analysis was carried out for the Telefónica Deutschland Group as well as within the Telefónica, S.A. Group.

CapEx KPI

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

- a. related to assets or processes that are associated with taxonomy-aligned economic activities; or
- b. part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ('CapEx plan') under the conditions specified in the second subparagraph of this point 1.1.2.2; or
- c. related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, notably activities listed in points 7.3 to 7.6 of Annex I to the Climate Delegated Act, as well as other economic activities listed in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The basis for capital expenditure is the additions to property, plant and equipment and intangible assets as well as rights of use in accordance with IFRS 16 before depreciation, amortization and any revaluations for the financial year in question and without changes in fair value. The total capital expenditure according to Taxonomy Regulation Art. 8 Annex I 1.1.2.1 is EUR 1,804 million (see respective disclosures in chapters "5.2. Other intangible

assets", "5.3. Property, plant and equipment", "5.4. Right-of-use assets" of the [Consolidated Financial Statements](#) ↗).

Based on project descriptions, the total additions were analyzed to determine whether they were related to a taxonomy-eligible/-aligned economic activity (CapEx a.), or were part of a plan to expand or achieve an environmentally sustainable economic activity (CapEx b.), or related to the acquisition of products from a taxonomy-eligible/-aligned economic activity and individual measures through which the target activities are carried out in a low-carbon manner or the emission of GHG is reduced (CapEx c.). Additions related to economic activity 8.1 amounting to EUR 0 million and related to economic activity 8.2 amounting to EUR 0 million were identified. This is supplemented by the acquisition of taxonomy-eligible services and products in the areas of Fleet Management (economic activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles), Energy Management (economic activity 7.3 Installation, maintenance and repair of energy efficiency equipment and 8.2 Data-driven solutions for GHG emissions reductions), Buildings (7.7 Acquisition and ownership of buildings) and Data Centers (8.1 Data processing, hosting and related activities). The sum of these additions, which reflect a taxonomy-eligible investment, forms the numerator of the CapEx figure of EUR 64 million. This results in a taxonomy-eligible CapEx KPI of 3.5 %. An analysis of the taxonomy-eligible investments with regard to the substantial contribution has shown that the relevant criteria are not met, as the business partners cannot provide the required evidence. Consequently, the taxonomy-aligned CapEx is 0 %.

The total amount of additions, which can be taken from the consolidated statement of changes in non-current assets, also includes investments in the fixed network and 4G/5G network amounting to 72 %. This value is comparable to the maximum figure of 79 % from the 2021 financial year. The lifecycle analysis described above demonstrates that investments in these technologies are beneficial in terms of reducing greenhouse gas emissions.

OpEx KPI

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

- a. Relates to assets or processes associated with taxonomy-aligned economic activities, including training and other workforce adjustment requirements and direct noncapitalized costs in the form of research and development; or
- b. Are part of the CapEx plan to expand taxonomy-aligned economic activities or allows for the conversion of taxonomy-eligible economic activities to taxonomy-aligned economic activities within a predefined time period, as set forth in the second paragraph of this Section 1.1.3.2; or

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

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

The total operating expenses according to subsection 1.1.3.1 of Annex I to Delegated Regulation (EU) 2021/2178 are EUR 279 million.

The numerator of the OpEx KPI according to subsection 1.1.3.2 of Annex I of Delegated Regulation (EU) 2021/2178 results from an analysis of the assets related to the expenses recorded in the accounts mentioned above with regard to their taxonomy eligibility. Thereby, operating expenses related to economic activity 8.1 in the amount of EUR 0 million, economic activity 8.2 in the amount of EUR 0 million and other economic activities (OpEx.c.) in the amount of EUR 0.1 million could be identified. This results in a total of EUR 0.1 million in taxonomy-eligible operating expenses. This corresponds to a taxonomy-eligible OpEx KPI of 0.03%. An analysis of the taxonomy-eligible operating expenses with regard to the substantial contribution has shown that the relevant criteria are not met, as the business partners cannot provide the required evidence. Consequently, the taxonomy-aligned OpEx is 0.0%.

With a view to the above-mentioned operating expenses, 57% are related to the connectivity solutions fixed network and 4G/5G network. This value is comparable with the maximum figure of 52% from the financial year 2021.

Table of key figures

	Unit	2022	2021	2020
Governance				
Employees and directors given training in the Business Principles and human rights ¹	%	84.3	97.7	95.8
Customer matters				
Churn rate of the O ₂ brand (O ₂ consumer postpaid)	%	1.1	0.9	1.4
5G population coverage (3.6 GHz, DSS/1800 MHz, 700 MHz) ²	Rounded in %	80	30	n.a.
Data protection and information security				
Proceedings initiated due to data protection violations (Section 169 German Telecommunications Act [TKG]) ³	Number	1	0	3
Penalties in the form of fines as a result of data protection violations in the reporting year	Number	0	0	0
Reportable security breaches or incidents relating to information and network security ⁴	Number	26	16	25
Penalties in the form of fines paid in relation to security breaches or other network security incidents	Number	0	0	0
Anti-corruption and conflicts of interest				
Total number of cases of corruption ⁵	Number	0	0	0
Employee matters				
Employee Net Promoter Score (eNPS)/Attractiveness as an employer	Score	66.2	60.4	53.8
Response rate to annual global employee survey	%	79	77	77
Average hours of training and education per year per employee ⁶	Number	16	17	11
Women in senior management (incl. Management Board)	%	32.1	28.8	27.8
Confirmed incidents of discrimination and corrective actions taken	Number	0	0	0
Gender Pay Gap	%	18.2	19.5	20.6
Gender Pay Gap (adjusted) ⁷	%	1.8	n.a.	n.a.
Absenteeism rate ⁸	%	5.9	4.9	5.9
Energy and CO₂				
Total energy consumption	GWh	799	755	736
Total electricity consumption ⁹	GWh	775	732	710
of which by the network and data centres ¹⁰	GWh	757	711	686
of which by offices, shops, call centres	GWh	18	21	24
Total fuel consumption ¹¹	GWh	24	23	26
Energy intensity: total energy consumption per data volume ¹²	GWh/PB	0.08	0.09	0.12
Energy from renewable energy sources	GWh	775	732	679
Proportion of total electricity consumption from renewable energy sources ¹³	%	100	100	96

	Unit	2022	2021	2020
Total carbon emissions (Scope 1, 2, 3) (market-based method) ^{14, 15}	tCO ₂ eq	7,766	6,266	26,720
Total carbon emissions (Scope 1, 2, 3) (location-based method) ^{15, 16}	tCO ₂ eq	333,228	274,190	292,214
Direct emissions (Scope 1) incl. refrigerant emissions	tCO ₂ eq	5,520	5,369	5,623
Indirect emissions (Scope 2) (market-based method)	tCO ₂ eq	261	581	20,201
Indirect emissions (Scope 2) (location-based method)	tCO ₂ eq	325,723	268,505	285,695
Indirect emissions: business travel (Scope 3) ¹⁵	tCO ₂ eq	1,985	316	896
Indirect emissions: procurement of goods and services (Scope 3)	tCO ₂ eq	160,363	154,339	188,505
Indirect emissions: capital goods (Scope 3)	tCO ₂ eq	58,171	43,765	35,142
Indirect emissions: fuel and energy-related activities (Scope 3)	tCO ₂ eq	1,330	1,187	7,227
Indirect emissions: use of products sold (Scope 3)	tCO ₂ eq	161,435	132,806	237,575
Indirect emissions: total Scope 3	tCO ₂ eq	383,284	332,413	469,344

The values in the table of key figures have been rounded up or down. Due to this rounding, it is possible that – in some rows of the tables – the rounded figures do not add up exactly to the indicated total figures.

¹ Proportion based on number of employees of Telefónica Deutschland Group excluding employees on sabbatical, external consultants and temporary employees (staff count: 7,181; previous year: 7,030). The calculation includes the completed training units of the last three years. For 2022 this means 6,055 completed training units between 1 January 2020 and 31 December 2022.

² The selected population-based evaluation does not only include the household-based coverage calculation with a fixed location reference as reported to the Bundesnetzagentur. It also includes commuter flows of the population, so that part of the population is counted both at their place of residence and at their place of work (maximum population). In this way, the Telefónica Deutschland Group takes into account that services are not only demanded stationary at the place of residence, but also on the move. This value is the year-end value 2022, which indicates the availability of the mobile service outside buildings (outdoor).

³ Proceedings initiated during the reporting period are to be understood as proceedings that are ongoing and have not been concluded. Three sets of proceedings from the 2020 financial year were still ongoing in the current reporting year. It is currently not foreseeable whether these will be concluded in the coming reporting year. Concluded proceedings generally lead to a penalty, a fine or abandonment of the proceedings as a result of the authority's suspicion not being borne out. Fines are reported in the indicator "Penalties in the form of fines as a result of data protection violations in the reporting year".

⁴ Telefónica, S.A. Group reports the number of data breaches using the definition "Total number of relevant security/cybersecurity incidents classified as serious". According to this definition, the number for the Telefónica Deutschland Group is to be reported as 0. According to the definition of the Telefónica Deutschland Group "Total number of reportable security breaches or incidents related to information and network security", 26 incidents are to be reported.

⁵ Confirmed suspected cases that led to measures related to labour law or sanctions.

⁶ The calculation for the reporting years 2021 and 2022 was made on the average employee basis of the respective reporting year (Ø PIP 2021: 7,779, Ø PIP 2022: 7,390) of the Telefónica Deutschland Group including employees on sabbatical leave, but excluding external consultants and temporary staff.

⁷ The calculation of the gender pay gap (adjusted) is based on the employees of the Telefónica Deutschland Group who are either active or on paid leave (2022: 6,995).

⁸ The absence rate is calculated by dividing the number of sick days by the result of 250 target working days multiplied by the average of the total workforce (Ø PIP 2022: 7,390).

⁹ The figure for electricity consumption equals the volumes actually billed per electricity consumption point and, in some cases, forecasts of the volumes consumed.

¹⁰ Network electricity consumption equals the number of mobile telephony and fixed line sites multiplied by an average electricity consumption figure per site. This was determined on the basis of historical consumption data. In the future, the values actually measured by smart meters will replace the statistically collected values.

¹¹ Fuel consumption (in the form of diesel, natural gas and district heating) comprises the units provided via a direct contract between a supplier and the Telefónica Deutschland Group. The calculation of fuel consumption is in accordance with Telefónica, S.A., consequently using the international conversion factors, and is verified by the Spanish Standardisation and Certification Company AENOR INTERNACIONAL, S.A.U.

¹² The energy intensity is calculated by dividing the energy consumption by the data volume in petabytes.

¹³ Energy from renewable energy sources consists of direct purchases and electricity purchases certified with guarantees of origin. Since 2020, the calculation of the energy from renewable energy sources has included green power from grid and IT infrastructure used jointly with other companies in addition to the amount of green power purchased by the Telefónica Deutschland Group.

¹⁴ Carbon emissions (including Scope 1 and Scope 2) are calculated on the basis of ISO 14064, the Greenhouse Gas Protocol and ITU-T L.1420. The data and calculations have been verified by the Spanish Standardisation and Certification Company AENOR INTERNACIONAL, S.A.U. A standard Germany-wide conversion factor is used to convert electricity consumption into carbon emissions. For the market-based method, 588.83 g CO₂ per kWh is used (source: Association of Issuing Bodies [AIB], European Residual Mixes, 2020).

¹⁵ Scope 3 emissions: other indirect emissions due to business travel (flights and rail travel). The emissions per km for flights and rail travel for the years 2020 to 2022 were calculated with emission factors applied Group-wide (source: UK government GHG conversion factors for company reporting, 2022). There are also other Scope 3 emissions not included in the total. These are listed separately. The focus at the Telefónica Deutschland Group is on business travel.

¹⁶ Carbon emissions (including Scope 1 and Scope 2) are calculated in accordance with ISO 14064, Greenhouse Gas Protocol and ITU-T L.1420. The data and calculations have been verified by the Spanish Standardisation and Certification Company AENOR INTERNACIONAL, S.A.U. The conversion of electricity consumption into CO₂ emissions is based on a uniform conversion factor for the whole of Germany, irrespective of the fact that a share of 100 % (previous year: 100 %) was obtained from renewable energy sources. The Telefónica Deutschland Group uses the electricity conversion factors of the Federal Environment Agency (development of specific carbon dioxide emissions of the German electricity mix in the years 1990–2020 and first estimates for 2021) and thus 420 g CO₂ per kWh from the year 2021 for the calculation basis according to the location-based method in the reporting year 2022.

Independent practitioner's report

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

To Telefónica Deutschland Holding AG, Munich

We have performed a limited assurance engagement on the separate non-financial group report of Telefónica Deutschland Holding AG, Munich, (hereinafter the "Company") for the period from 1 January 2022 to 31 December 2022 (hereinafter the "Non-financial Report").

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

Responsibility of the Executive Directors

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

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

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Disclosure on the EU taxonomy" of the Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

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

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

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

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Non-financial Report, are not prepared, in all material respects, in accordance §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in "Disclosure on the EU taxonomy" of the Non-financial Report.

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

Imprint

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www.telefonica.de/nfs

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

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Telefónica Deutschland Holding AG,
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