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#1 ESG an integral part of Telefónica Deutschland’s DNA

#2 Corporate Governance

#3 Environment & Social

#4 Summary
ESG an integral part of Telefónica Deutschland’s DNA
Enabling sustainable growth

We democratise access to the **sustainable digital future to create a better everyday life**

Mobile accesses
~44m

Owned customer base
~80%

Network quality
Awarded 'Very Good'

Carbon neutral by 2025

Resilient business model
**FY20 Operational trends intact**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>€7,532m</td>
<td>+1.8% YoY</td>
</tr>
<tr>
<td>MSR</td>
<td>€5,307m</td>
<td>+0.1% YoY</td>
</tr>
<tr>
<td>OIBDA¹</td>
<td>€2,319m</td>
<td>+0.2% YoY</td>
</tr>
<tr>
<td>Capex/Sales</td>
<td>14.5%</td>
<td></td>
</tr>
</tbody>
</table>

¹ Adjusted for exceptional effects
² Excl. COVID 19 impacts
³ 31.12.2020
⁴ Excl. 218k M2M

Market Cap³
EUR 6,724m

BBB Fitch Rating
Listed in MDAX | TecDAX

Employees³
~7,800

Strong trading momentum
>1m post-paid net adds⁴

Churn at historic lows
Own brand post-paid churn 13.1%

Improved customer perception
>20p.p. NPS score improved over last 3 years
ESG at the heart of our strategy throughout the pandemic

**HELPING SOCIETY TO THRIVE**

- **Highly resilient network performance**
- **Anonymous mobile data for government to fight C-19**
- **#WeStayConnected**
- **95% employee satisfaction rate for TEF D’s pandemic management**

**BUILDING A GREENER FUTURE**

- **-39% GHG emissions (Scope I+II)***
- **96% Renewable energy use**
- **-71% Energy per unit of traffic (GWh/Petabyte)***
- **-78% Carbon intensity (tCO2/Petabyte)***

**LEADING BY EXAMPLE**

- **Women in senior leadership positions**
  28% in 2020 (incl. in Bloomberg GEI)
- **+3p.p. increase in Society Trust**
- **Highly ranked in leading ESG ratings**
- **Member DAX 50 ESG**

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* Base year 2015  ** RepTrak Pulse
Long-standing and successful ESG track record
Responsible Business Plan primary steering tool since 2016

ESG strategy fully integrated in overall business strategy
✓ RBP goal: Creation of sustainable value and minimisation of risks
✓ RBP 2020: Achieved key targets
✓ RBP 2025: Ambitious future targets incl. climate protection strategy

2004
ISO 14001 certification

2005
CR-Report

2012
Launch corporate accelerator Wayra
Launch Eco Index

2015
ISO 50001 certification

2019
Sustainability linked loan

2020
ESG DAX50
Climate protection strategy 2025

2016 - 2020
RBP

2021 - 2025
RBP
### Telefónica’s Responsible Business Plan 2025

Focusing on steering-KPIs and target scores – supporting UN SDGs

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Environment &amp; Climate</th>
<th>Customers &amp; Business Partners</th>
<th>Employees</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>TEF D will offer customers the 'greenest' network</td>
<td>TEF D will offer customers products and services that support sustainable lifestyles</td>
<td>TEF D wants to advance tomorrow’s digital working world as an attractive employer</td>
<td>TEF D will democratise participation in the digitalized world by affording people access and skills</td>
</tr>
<tr>
<td>KPI</td>
<td>Net zero carbon emissions by 2025</td>
<td>Increase in or stabilisation of customer satisfaction (NPS) at the highest level</td>
<td>Measurement of employer attractiveness via increase / stabilization eNPS</td>
<td>RepTrak</td>
</tr>
</tbody>
</table>

### Foundation

**Governance principles**

TEF D’s business as a digital company will be founded on principles of responsible corporate governance that are rigorously and systematically applied to all business processes!

### Commitment

TEF D wants to achieve at least a 'good' ranking in relevant ESG ratings!

### KPI

- Governance
- Transparency & Dialog
- Compliance & Ethical Principles
- Data Protection & Information Security
- Supply Chain Management
Telefónica Deutschland Holding AG - robust corporate governance structure

Corporate Governance
Independent oversight of enterprise risk and business management underpinned by German two-tier board system
Transparent good corporate governance | Annual effectiveness assessment of the Supervisory Board and its committees | Robust code of conduct and compliance management

Executive Management Board
leads, manages and represents Company
• Regular weekly meetings and (strategy) offsite sessions

Non-Executive Supervisory Board
controls and advises Management board
• Annual strategy session with the Management board
• Regular meetings (at least quarterly)

Annual Shareholder Meeting - Execution of shareholders rights
• Each share = one vote / no special voting rights
• Vote on distribution of profits
• Shareholders vote e.g. on "Say on Pay" (AGM 2021+); Remuneration Report (AGM 2022+)
• At the AGM, annual accounts and business performance are reported by the Management Board
Management Board - highly experienced & diverse

Key Responsibilities
- Management of the business
- Representation of the Company

Extensive Industry Experience
> 145 years of telco experience

Top in gender diversity
Women in board since IPO 2012

Included in Bloomberg Gender Equality Index (GEI) – 2nd year in a row

Wolfgang Metze (CCO)  Markus Haas (CEO)  Nicole Gerhardt (CHRO)  Markus Rolle (CFO)
Valentina Daiber (COLCA)  Alfons Lösing (CPWO)  Mallik Rao (CTIO)
Supervisory Board – well balanced & diverse shareholder side

**37.5% Independent**

**3 New appointments in 2020**

**Gender diversity**

**Balanced tenure**

**International**

<table>
<thead>
<tr>
<th>Flag</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>🇩🇪</td>
<td>Germany</td>
</tr>
<tr>
<td>🇳🇱</td>
<td>Netherlands</td>
</tr>
<tr>
<td>🇨🇭</td>
<td>Switzerland</td>
</tr>
<tr>
<td>🇬🇧</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>🇪🇸</td>
<td>Spain</td>
</tr>
<tr>
<td>🇦🇷</td>
<td>Argentina</td>
</tr>
</tbody>
</table>

**Independent leadership**

**Peter Löscher**
- Appointed as Supervisory Board Chairman in April 2020
- Former CEO of Siemens, experienced Supervisory Board Chairman
- Chair of Nomination, Mediation and Related Party Transactions Committees

**Independent members**

**Michael Hoffmann**
- Chairman of Audit and Remuneration Committees
- Former CEO of Lekkerland
- Independent financial expert

**Stefanie Oeschger**
- Former Managing Director of Cembra
- International expert in transformation and organizational change
- Newly appointed in 10/2020

**Key expertise & skills**

- Economic / Financials
- Auditing / Risk
- Engineering / Innovation / Digital
- Marketing / Sales
- Legal / Governance / Ethics
- Transformation / Organisational Change
- Leadership
### All Supervisory Board Committees chaired by independent members

<table>
<thead>
<tr>
<th>Committee</th>
<th>Description</th>
<th>Members</th>
</tr>
</thead>
</table>
| **Audit Committee**               | Key committee in charge of monitoring the accounting process, the efficiency of the internal control systems, the risk management system and the internal audit system and for review of the annual accounts as well as compliance, including data protection and information security | - Michael Hoffmann (Chair), financial expert  
- Martin Butz  
- Ernesto Gardelliano, financial expert  
- Thomas Pfeil |
| **Remuneration Committee**        | Key committee in charge of preparation of all Board compensation topics and respective recommendations for the Supervisory Board in this regard | - Michael Hoffmann (Chair)  
- María García-LegázPonce  
- Claudia Weber  
- Jan-Erik Walter |
| **Mediation Committee**           | The legally required committee recommends Management Board candidates to the Supervisory Board provided that no sufficient agreement to available candidates could be achieved | - Peter Löscher (Chair)  
- Christoph Braun  
- Julio Linares Lopéz  
- Christoph Heil |
| **Nomination Committee**          | Committee recommends to the Supervisory Board suitable candidates for the shareholder side for the election proposal to the annual general meeting | - Peter Löscher (Chair)  
- Pablo de Carvajal González  
- Ernesto Gardelliano |
| **Related Party Transactions Committee** | The committee monitors and passes resolutions on certain transactions with related parties, especially on related party transactions pursuant to sec. 111 a, b Stock Corporation Act | - Peter Löscher (Chair)  
- Christoph Braun  
- Pablo de Carvajal González  
- Michael Hoffmann  
- Thomas Pfeil |
‘Say on Pay’- balanced composition of Management Board remuneration

<table>
<thead>
<tr>
<th>Components</th>
<th>Purpose</th>
<th>Description</th>
<th>Potential KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed remuneration</strong>&lt;br&gt;Cash</td>
<td>Creates sufficient economic independence to balance the significance of other remuneration items</td>
<td>Base salary paid out in twelve equal monthly amounts</td>
<td>Financial KPIs:&lt;br&gt;- Revenues: Measure growth&lt;br&gt;- OIBDA: Reflects growth and progress in operating performance&lt;br&gt;- Operating Cash Flow (OIBDA minus CapEx): Reflects the generation of cash from our business operations&lt;br&gt;- Free Cash Flow: Generation allows growth investments, dividend payments, and reduction of debt load&lt;br&gt;- Return on Capital Employed (EBIT/Capital Employed): Measures the efficiency and profitability of our investments&lt;br&gt;- Relative TSR: Measures the creation of shareholder value in comparison to competitors&lt;br&gt;- Non-financial KPIs (ESG criteria):&lt;br&gt;  - Relate to customer satisfaction and to social &amp; ecological factors (e.g. NPS, RepTrak Pulse, reduction of emissions, diversity)</td>
</tr>
<tr>
<td><strong>Short-term variable remuneration</strong>&lt;br&gt;Cash</td>
<td>Rewards achievement of pre-determined, quantifiable, economic-financial, operational and qualitative targets aligned with the company’s interests and the strategic plan</td>
<td>One-year cash bonus&lt;br&gt;  - Performance criteria:&lt;br&gt;    - At least 70% selected KPIs of Telefónica Deutschland&lt;br&gt;    - At most 30% business performance of Telefónica, S.A.&lt;br&gt;  - Cap: 150% of the target amount</td>
<td></td>
</tr>
<tr>
<td><strong>Long-term variable remuneration</strong>&lt;br&gt;Cash/Equity</td>
<td>Align incentives with the company’s interests and the strategic plan&lt;br&gt;  - Link remuneration to the creation of shareholder value and sustainable achievement of strategic targets</td>
<td>Performance Share Plans for Telefónica Deutschland and for Telefónica, S.A.&lt;br&gt;  - Three-year performance period&lt;br&gt;  - Selected KPIs&lt;br&gt;  - Target achievement: 0% up to a maximum value (cap)</td>
<td></td>
</tr>
</tbody>
</table>

→ Malus/Clawback: Partial or complete reduction or reclaim of the variable remuneration possible<br>→ Total maximum remuneration: EUR 4.9 m for CEO; EUR 2.3 m for each ordinary Management Board member

### Compensation Mix

<table>
<thead>
<tr>
<th>Role</th>
<th>Fixed remuneration</th>
<th>Short-term variable remuneration</th>
<th>Long-term variable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>31%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Ordinary Mgmt Board Member</td>
<td>43%</td>
<td>28%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Incl. ESG criteria since 2019

→ 69% (CEO) and 57% (ordinary Mgmt. Board member) of remuneration is at risk and tied to performance
Focus on zero carbon emissions & principles of circular economy

Environment

Material topics
- Energy and CO₂
- Circular Economy
- Product and Service Experience
- Digital Sustainability Innovations
- Network Quality and Coverage

Mission
TEF D will offer the customers the 'greenest' network

Goal
Net zero carbon emissions by 2025 focusing especially on energy efficiency

Our Progress
Energy intensity reduced by 71% (compared to 2015)

Strategic Approach
- Established environmental management systems (ISO 14001, ISO 50001)
- Part of the business ambition for 1.5°C action alliance
- Business case: increasing energy efficiency in operating business activities (OPEX) has led to savings of EUR 54m since 2016
- Long-term strategy (2030): Savings by additional energy efficiency rising over the years, up to EUR 10m in 2030

Strategic Objectives 2025
- Climate neutral by 2025: Focus on energy efficiency, self generation & purchase of renewables
- Aligning more and more aspects of our business, especially our products, with principles of the circular economy
Ambitious corporate climate strategy – carbon neutral by 2025

- **Renewable Energy**
  100% green electricity

- **5G Energy-efficiency**
  5G is using 90% less energy per byte compared to 4G

- **Data Centres**
  Improved power efficiency

- **Smart Meters**
  Optimized energy consumption with help of digital meters

- **Workplace**
  Workplace sharing and virtual work to improve energy efficiency and reduce CO₂ emissions

**Ambitious environmental targets**

1.5°C aligned climate target
according to Science-Based-Target initiative for scope 1-3

Carbon neutral by 2025
including our scope-1&2 and travel emissions

Reduction of unavoidable emissions
by >90% by 2030
emitted from our network, facilities and vehicle fleet, relative to 2019

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Telefónica Deutschland
Social dimension - shaping a responsible digitalisation for society

**Mission**
TEF D strives for a human centric digitalisation

**Goal**
Stabilisation of NPS, eNPS & RepTrak

**Our Progress**
All strategic goals well achieved

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**Strategic Approach**
- Shaping responsible digitalisation for people—our employees, our customers and society. Especially in this pandemic situation this approach has gained even more importance.

**Strategic Objectives 2025**
- As an attractive employer, we want to drive the digital working world of tomorrow
- Human Capital Management: We are focusing on the work environment and future employability
- We enable participation in the digitalised world by providing people access and skills
- We support sustainable lifestyles with our products
Effective COVID-19 response supporting all stakeholders

**Customers**
- Reliable networks
- \(O_2\) churn at historic low levels
- Additional entertainment & mobile data provided at no extra cost

**Employees**
- Protecting health & safety of employees
- Employees working remotely (home-office)
- Introduction of ‘5 Bold Moves’
- Corporate Health Award 2020 for innovative pandemic management

**Shareholders**
- Delivered on FY20 outlook while fully absorbing Covid-19 impacts
- Sustainable dividend policy

**Society**
- TEF D supports Robert Koch Institute with mobility analyses in fight against Covid-19
- Provided our technologically advanced buildings for public use (e.g. \(O_2\) Tower)
- Digital Care Package for Senior Citizens
- Laptops, Internet-access and trainings in cooperation with Amazon, ‘Deutsches Kinderhilfswerk’ for underprivileged children

Management is continuously monitoring & analysing the impact on the company from Covid-19 restrictions & developments
Regular updates on our COVID-19 response are published on TEF D’s webpage
Driving innovations - preparing Telefónica Deutschland & society for the future

**5 BOLD MOVES**

- **Working ANYWHERE**
- **Working ANYTIME**
- Outcome-based **LEADERSHIP**
- **DIGITAL** by Default
- 70% Less **TRAVEL**

**Wayra Germany, outstanding corporate accelerator**
Part of TEF S.A. Open Innovation Hub

**Track Record**
Most reliable partner for >250 tech start-ups since 2011 shaping the future of Telefónica

**Approach**
Open and unique ecosystem between founders, universities, mentors, investors and corporates

**Pillars**
Accelerator Programme | Investment | Community

**+22** Contracts won between start-ups and Telefónica in 2020

**+30** Active Portfolio start-ups in 2020

**+100** Start-ups part of Wayra ecosystem
Pioneering sustainable finance solutions to increase ESG visibility since 2016

**EUR 750m ESG-Linked Syndicated Loan**
2019 first German Telco with ESG-Linked Loan facility

**EUR 450m Loan granted by European Investment Bank (EIB)**
2019/2020 for energy efficient 4G/5G rollout

**EUR 450m Loan granted by EIB**
2016 linked to CO₂ reduction via Mobile Network Consolidation (TEF/E+)

**Structured Rating Process with Sustainalytics**
2019 structured rating process improving quality vs. unsolicited rating

**Pioneering of blockchain-based promissory notes**
2018 first telco globally introducing blockchain based financing with external investors

**Further Sustainable Financing Instruments under consideration to access additional funding sources**
- ESG-Linked Bond
- ESG-Linked Schuldcschein
- ESG-Linked Factoring
- Green Leasing

**Top Sustainability Ratings from various financial institutions/rating agencies**
- Sustainalytics
- Vigeo Eiris
- MSCI
- ISS·oekom
- DAX 50 ESG
- FTSE Russell
- Luxembourg Green Bond Index
Well ranked in most important sustainability ratings & indices

<table>
<thead>
<tr>
<th>Rating</th>
<th>Score/Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Low</td>
<td><strong>16.4 (Low)</strong></td>
</tr>
<tr>
<td>Exposure</td>
<td><strong>38.2 (Medium)</strong></td>
</tr>
<tr>
<td>Management</td>
<td><strong>63.2 (Strong)</strong></td>
</tr>
<tr>
<td>Rating</td>
<td>AA</td>
</tr>
<tr>
<td>Grade</td>
<td>Prime B- (Good)</td>
</tr>
<tr>
<td>Successfully listed</td>
<td>(4.3 of 5 pts)</td>
</tr>
<tr>
<td>Successfully listed</td>
<td>(65%)</td>
</tr>
</tbody>
</table>

Status: February 2021
ESG at the heart of our strategy throughout the pandemic

**HELPING SOCIETY TO THRIVE**

- Supporting customers & communities
  - Highly resilient network performance
  - Anonymous mobile data for government to fight C-19
  - #WeStayConnected
  - 95% employee satisfaction rate for TEF D's pandemic management

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- Lower carbon economy & digital innovation
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**LEADING BY EXAMPLE**

- Running an inclusive, fair & ethical business
  - Women in senior leadership positions 28% in 2020 (incl. in Bloomberg GEI)
  - +3p.p. increase in Society Trust**
  - Highly ranked in leading ESG ratings
  - Member DAX 50 ESG

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* Base year 2015 ** RepTrak Pulse
Any further questions?

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