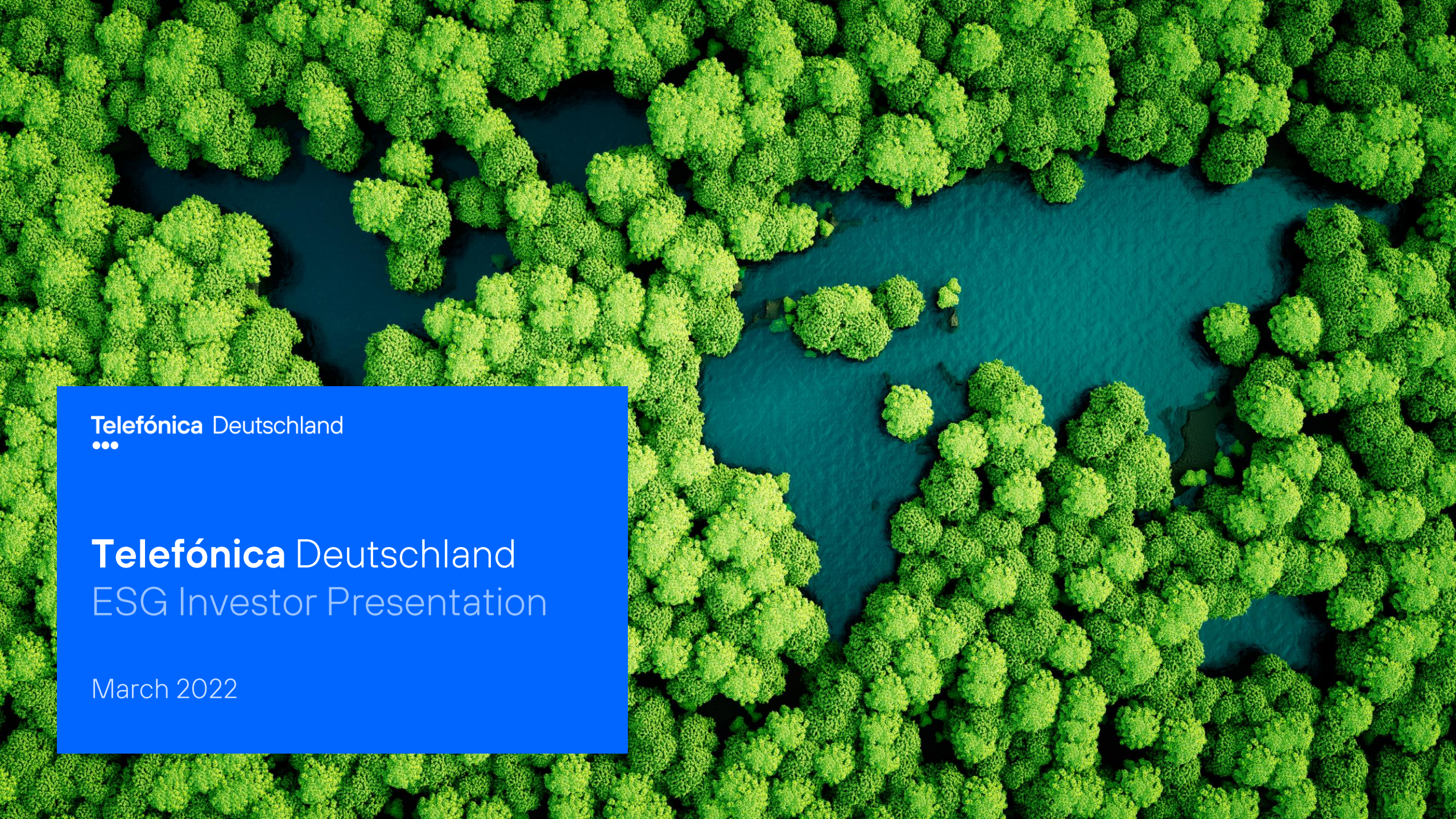




Telefónica Deutschland
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Telefónica Deutschland ESG Investor Presentation

March 2022

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Telefónica Deutschland - shaping the sustainable digital future

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

Access

Connecting
>45m lives



Sustainability

>15 years of sustainable
management – an integral part
of day-to-day business



ESG

Responsible Business Plan 2025
at the core of our
long-term business strategy



Strong ESG delivery – recognised as top-rated ESG performer

Environment



BUILDING A GREENER FUTURE

Lower carbon economy & digital innovation



Efficiency

Increased target of 87% (from 82%) less energy consumption by 2025*
2021: 78%*



100% renewable energy

Well on track to achieve net zero carbon emission target by 2025
Further yoy reduction of ~20kt CO₂ in 2021



Circular Economy

Sustainable products & services
Reduce – repair – recycle up ~50% yoy

Social



HELPING SOCIETY TO THRIVE

Supporting customers & communities



Society

Humanitarian support for Ukraine.
C-19 crisis management.
Flood: Emergency help & reliable network.
Initiatives for digital inclusion.



Customers & Society

Continuous improvement of reputation score



Employees

Improvement of strong eNPS

Governance



LEADING BY EXAMPLE

Running an inclusive, fair & ethical business



Robust governance structure

Supervisory Board & Management Board – highly experienced & diverse



Gender Equality

Bloomberg Global Equality Index 2022 – included 3rd year running



Health & Safety

Awarded for Corporate Health Management

Top-ranked in ESG by leading rating agencies & well prepared for EU Taxonomy

Assessing ESG performance along ten key narratives, forming the basis of Telefónica Deutschland's ESG strategy

Primary focus		Relevance	Secondary focus		Relevance
Environment					
01	Retaining climate leadership				
02	Closing the loop on circularity				
03	Promoting environmental products				
Social					
04	Emphasising diversity		07	Protecting health & safety	
05	Caring for our talent		08	Pioneering in digital inclusion	
			09	Offering socially responsible goods	
Operational Governance					
06	Cutting supply chain risks		10	Safeguarding sensitive data	

EU Taxonomy – delivering strong KPIs

Sustainable digital transformation well on track

EU Taxonomy

- Classifies business models based on sustainability criteria
- Delivers set of KPIs to reflect degree of environmental sustainability

Revenue eligible (max.)

47 %

Min: 0.4 %¹

- Service portfolio is an integral part of digital-driven solutions (e.g. smart mobility, intelligent energy systems)
- Data-driven revenues enhance revenue KPI

CapEx eligible (max.)

79 %

Min: 2.0 %¹

- Targeted investments in energy-efficient 5G network result in positive KPI impact on CapEx & OpEx demonstrating the company's potential

OpEx eligible (max.)

52 %

Min: <0.1 %¹

¹EU Taxonomy captures telco industry in principle while leaving room for interpretation of the details

Ambitious corporate climate strategy – net zero carbon emissions by 2025

Corporate Climate Strategy



Renewable Energy
100% green electricity



5G Energy-efficiency
90% less energy consumption per byte vs previous standards



Data Centres
Improved power efficiency



Smart Meters
Optimized energy consumption with help of digital meters



Workplace Sharing & Virtual Work
Improved energy efficiency & reduced CO₂ emissions

Ambitious environmental targets



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



Net zero carbon emissions by 2025
including scope-1 & 2 and travel emissions



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

Robust German 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

Informs, reports to

Appoints, advises,
monitors, approves

Non-Executive Supervisory Board

controls and advises Management board

- Annual strategy session with the Management board
- Regular meetings (at least quarterly)

Reports to

Discharges

Elects shareholder representatives
Discharges

Reports to



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; Remuneration Report (AGM 2022+)
- At the AGM, annual accounts and business performance are reported by the Management Board

Supervisory Board – well balanced & diverse shareholder side

50%

Independent

1

new appointment in 2022



Gender diversity



Balanced tenure



International

Key expertise & skills

Audit expertise in ESG reports
Engineering / Innovation / Digital
Legal / Governance / Ethics

Auditing / Risk
Expertise in accounting standards
Transformation / Organisational Change

Economic / Financials
Leadership
Marketing / Sales

Independent leadership



Peter Löscher

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



Michael Hoffmann

- Chairman of Audit and Remuneration Committees
- Former CEO of Lekkerland
- Independent financial expert/ audit expertise in ESG reports

Independent members



Stefanie Oeschger

- Interim Manager of Cembra Bank
- International expert in transformation and organizational change
- Financial expertise and Cybersecurity



Jaime Smith Basterra

- Experienced CEO and CFO, audit & accounting expertise
- Deep knowledge of German & global telecoms market
- Newly appointed in 1/2022

Management Board – highly experienced & diverse team



Valentina Daiber

Chief Officer Legal &
Corporate Affairs



Markus Haas

Chief Executive Officer



Mallik Rao

Chief Technology &
Information Officer



Markus Rolle

Chief Financial Officer



Wolfgang Metze

Chief Consumer Officer



Nicole Gerhardt

Chief Human
Resources Officer



Alfons Lösing

Chief Partner &
Wholesale Officer

Extensive Industry Experience

- >150 years of telco experience

Key Responsibilities

- Management of the business
- Representation of the Company

Top in gender diversity / equality

- Gender diversity at board level since IPO
- Bloomberg Gender Equality Index 2022 – included 3rd year running



Management Board remuneration system: Balanced composition

Components		Description	KPIs and weights applied in 2021	Compensation mix						
Annual	Fixed remuneration Cash	Base salary paid out in twelve equal monthly amounts		69% (CEO) and 57% (ordinary. Mgmt. Board member) of remuneration is at risk and tied to performance CEO <table><tr><td>31%</td><td>31%</td><td>38%</td></tr></table> Ordinary Mgmt. Board Member <table><tr><td>43%</td><td>28%</td><td>29%</td></tr></table> Fixed remuneration Short-term variable remuneration Long-term variable remuneration Incl. ESG criteria since 2019 Incl. ESG criteria since 2021	31%	31%	38%	43%	28%	29%
	31%	31%	38%							
43%	28%	29%								
Short-term variable remuneration Cash	- One-year cash bonus - Performance criteria: - At least 70% selected KPIs of TEF DE - At most 30% business performance of TEF SA - Cap: 150% of target amount	70% KPIs related to TEF DE 80% financial KPIs (30% Revenues, 30% OIBDA, 20% FCF) 20 % ESG KPIs (8% NPS, 3% NPS Gap, 5% Reduction of CO₂ emissions, 3% RepTrak Pulse, 1% Proportion of women in management) 30% business performance of TEF SA								
Long Term	Long-term variable remuneration Equity-based	- Performance Share Plans for TEF DE and for TEF SA - Three-year performance period - Selected KPIs - Target achievement: 0% up to a maximum value (cap)	50% Relative TSR 40% FCF 10% Neutralized CO₂ emissions							
→ Malus/Clawback: Partial or complete reduction or reclaim of the variable remuneration possible → Total maximum remuneration: EUR 4.9 m for CEO; EUR 2.3 m for each ordinary Management Board member										

Well ranked & continuous improvement in relevant ESG ratings/indices

Ranked 2nd in telco service sector in Sustainalytics rating

 SUSTAINALYTICS	Risk Low: 12.4 (Low) Exposure Score: 39.4 (Medium) Management Score: 76 (Strong)	^
MSCI 	Rating: AA	^
ISS ESG 	Grade: Prime B- (Good)	^
FTSE Russel	Successfully listed (4.1 of 5 pts)	
V.E	Successfully listed (66 of 100 scores – advanced)	^
Bloomberg	Successfully listed (70,5%)	^
ecovadis Business Sustainability Ratings	Successfully listed (76/100 – Platin, top 1%)	

Status: March 2022

Q&A



Peter Löscher

Chairman Supervisory Board



Markus Haas

CEO

We look forward to your feedback



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Appendix

After 2nd year of strong delivery well on track for mid-term-guidance

Continued growth momentum into FY22

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

Strategy Recap

Boost revenues, outperform the market

Mobile Growth



Attack in B2B



Smart Bundling
(incl. FMS)



Network parity



Midterm Guidance 2020 - 2022

Achievements after 2 years



Revenue

Cumulated growth $\geq 5\%$



Margins

Ongoing improvements⁶



Capex/Sales

C/S peak in FY21,
Normalising towards YE22

FY21

+3.1%

+2.6%²

Revenue

+3.9%

+1.8%³

OIBDA¹

16.5%

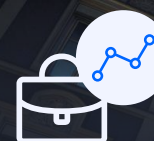
Capex/Sales

1.5m

Net Adds⁴

0.9%

O₂ Churn⁵



B2B

Gaining market share



Network parity

and price-value-leadership



ESG

leadership

¹ Adjusted for exceptional effects

² Excl. non-recurrent special factors

³ Excl. non-recurrent special factors & received social security payments

⁴ Postpaid excl. 203k M2M

⁵ O₂ Postpaid

⁶ Adj. for except. effects & excl. C-19 impacts

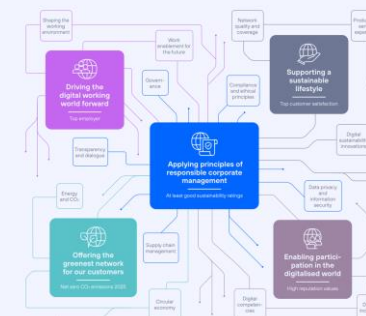
ESG at the heart of TEF D's strategy throughout the pandemic

Responsible Business Plan 2025: Digital. Sustainable. Connected.

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; in 2021 all key targets achieved

Responsible Business Plan 2025



2004

2022

2004

ISO 14001
certification



2005

CR-Report



2012

Launch
corporate
accelerator
Wayra



2012

Launch
Eco Index



2015

ISO 50001
certification



2019

Sustainability
linked loan

2020

ESG
DAX50

2020

Climate
protection
strategy 2025



2021

Top rating results in
key ESG ratings

2016 - 2020

RBP

2021 - 2025

RBP



ESG management as foundation of responsible business



Responsible Business Plan 2025

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

Focus Area	Environment & Climate		Customers & Business Partners			Employees		Society & Digital inclusion	
Commitment	TEF D will offer customers the 'greenest' network		TEF D will offer customers products and services that support sustainable lifestyles			TEF D wants to advance tomorrow's digital working world as an attractive employer		TEF D will democratise participation in the digitalized world by affording people access and skills	
KPI	Net zero carbon emissions by 2025		Increase in or stabilisation of customer satisfaction (NPS) at the highest level			Measurement of employer attractiveness via increase / stabilization eNPS		Measurement of reputation via increase / stabilisation of RepTrak	
Topic	Circular Economy	Energy and CO ₂	Network Quality & Coverage	Product & Service Experience	Dig. sust. Innovations	Future Employability	Designing the Work Environment	Digital Access	Digital Skills

Foundation	Governance principles				
Commitment	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				
KPI	TEF D wants to achieve at least a 'good' ranking in relevant ESG ratings				
Topic	Governance	Transparency & Dialog	Compliance & Ethical Principles	Data Protection & Information Security	Supply Chain Management

Focus on net 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 its customers the 'greenest' network



Goal

Net zero carbon emissions by 2025 focusing especially on energy efficiency



Our Progress

Energy efficiency reduced by 78% (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

- Net zero carbon emissions 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

Social dimension - shaping a responsible digitalisation for society

Social

Material topics

- **Human Capital Management**
- **Digital Skills**
- **Digital Inclusion**
- **Product and Service Experience**
- **Digital Sustainability Innovations**
- **Network Quality and Coverage**

Mission



TEF D strives for a human centric digitalisation

Goal



Stabilisation of NPS, eNPS & RepTrak

Our Progress



All strategic goals well achieved

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

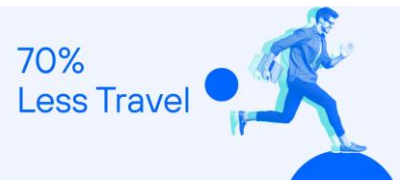
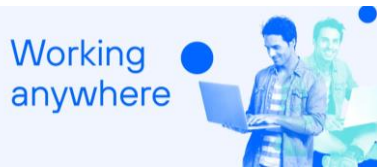
Strategic Objectives 2025

- 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

Pioneering the future of work and shaping the transformation responsibly are two of our key priorities in developing our people and organization

Future of work

5 Bold Moves define our ways of working



Responsible transformation

100% ACCESS TO FUTURE SKILLS

Digital access to learning continued – e.g. LinkedIn Learning, Learning and Leadership Journeys in place

In 2021: **Digital Basics Learning Journey** provided digital and data skills for all Telefónica Germany employees across all entities – 3,103 participants already

Additionally, 360 people take part in **Data Analytics & Science** upskilling

Internal mobility – 80 rotations in 2021 alone, providing employees with opportunities to grow in different contexts

PREPARING OUR LEADERS FOR THE FUTURE

Leadership development audits with external consultancy for all board members, senior and extended leadership team members

New **Leadership Journey for extended leadership team** to launch in 2022 combining face-to-face and digital components

Fostering **leadership mobility** (e.g. limitations of roles to 3 years, afterwards leaders take on new position in the company) with dedicated programme in 2022

Extensive enabling formats to support **transition into hybrid working**

DRIVING DIVERSITY AND INCLUSION

Target quota of **33% females** in senior leadership positions by 2024

Female talents defined for targeted development to leadership roles

Flexible ways of working to combine work with diverse life models

Digital inclusion beyond our own organization: 50 **Women in Data scholarships** in 2021

...and diversity beyond gender: New programme fostering **generation & career diversity** in 2022, allowing for more diverse career paths, to allow development across all life phases

All Supervisory Board Committees chaired by independent members

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) • 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-Legaz Ponce • 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

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 Schuldschein
- ESG-Linked Factoring
- Climate Neutral Leasing

Top Sustainability Ratings from various financial institutions/rating agencies

SUSTAINALYTICS
a Moody's company

ESG
INDUSTRY
TOP RATED



ISS ESG

vigeo
eiris

MSCI

FTSE
Russell

Bloomberg
Gender-Equality
Index

Driving innovations - preparing Telefónica Deutschland & society for the future



Wayra Germany awarded as best innovation hub in Germany by Capital magazine 2021
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 | 5G Tech Lab (NEW opening in March 2021) | Investment | Community

+30

Contracts won between start-ups & Telefónica in 2021

+35

Active Portfolio start-ups in 2021

+100

Start-ups part of Wayra ecosystem

Diversity

Increasing gender diversity as key priority as in the German startup eco-system only 17% of founders are female | 2021 wayra raised the share of female founders in the portfolio up to 30% (2020: 15%)

ESG

Focus on startups with ESG impact | Launch of pilot in 2021 with startup ClimateChoice a platform for decarbonising companies and their supply chain | Further startups are EnlightAid, FoldAI, GuudCard und Keepoala.

Telefónica Deutschland
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